

**DRAFT**  
**STATEMENT OF ACCOUNTS**

**2010 / 2011**



**CHRIS LITTLE**  
**CHIEF FINANCE OFFICER**  
**FINANCE DIVISION**

Hartlepool Borough Council

## CONTENTS

[Explanatory Foreword](#)

[Statement of Responsibilities for the Statement of Accounts](#)

[Movement in Reserves Statement for the year ended 31 March 2011](#)

[Comprehensive Income and Expenditure Statement](#)

[Balance Sheet as at 31 March 2011](#)

[Statement Of Cash Flows For The Year Ended 31 March 2011](#)

[Statement of Accounting Policies](#)

[Note 1: Transition to International Financial Reporting Standards](#)

[Note 2: Accounting Standards That Have Been Issued But Have Not Yet Been Adopted](#)

[Note 3: Critical Judgements in Applying Accounting Policies](#)

[Note 4: Assumptions Made About the Future & Other Major Sources of Estimation Uncertainty](#)

[Note 5: Events after the Balance Sheet Date](#)

[Note 6: Adjustments between Accounting Basis and Funding Basis under Regulations](#)

[Note 7: Transfers to/\(from\) Earmarked Reserves](#)

[Note 8: Amounts Reported for Segmental Reporting](#)

[Note 9: Other Operating Expenditure](#)

[Note 10: Financing and Investment Income and Expenditure](#)

[Note 11: Taxation and Non-Specific Grant Income](#)

[Note 12: Members' Allowances](#)

[Note 13: Officer's Remuneration](#)

[Note 14: Termination Benefits](#)

[Note 15: Non Current Assets - Property, Plant & Equipment](#)

[Note 16: Non Current Assets - Investment Property](#)

[Note 17: Impairment Losses](#)

[Note 18: Long Term Investments](#)

[Note 19: Long Term Debtors](#)

[Note 20: Inventories](#)

[Note 21: Debtors](#)

[Note 22: Landfill Allowances Trading Scheme \(LATS\)](#)

[Note 23: Cash and Cash Equivalents](#)

[Note 24: Assets Held for Sale \(Less than one year\)](#)

[Note 25: Short Term Creditors](#)

[Note 26: Provisions](#)

[Note 27: Other Long Term Liabilities](#)

[Note 28: Grant Income](#)

[Note 29: Usable Reserves](#)

[Note 30: Unusable Reserves](#)

[Note 31: Related Party Transactions](#)

[Note 32: Trading Operations](#)

<a href="#">Note 33: External Audit Costs</a>
<a href="#">Note 34: Dedicated Schools Grant</a>
<a href="#">Note 35: Operating Leases</a>
<a href="#">Note 36: Finance Leases</a>
<a href="#">Note 37: Capital Expenditure and Financing</a>
<a href="#">Note 38: Financial Instruments</a>
<a href="#">Note 39: Nature and extent of Risks Arising from Financial Instruments</a>
<a href="#">Note 40: Cash Flow Statement - Adjustments for non-cash movements</a>
<a href="#">Note 41: Cash Flow Statement - Adjustment for investing and financing activities</a>
<a href="#">Note 42: Cash Flow Statement - Operating Activities</a>
<a href="#">Note 43: Cash Flow Statement - Investing Activities</a>
<a href="#">Note 44: Cash Flow Statement - Financing Activities</a>
<a href="#">Note 45: Pensions Schemes Accounted for as Defined Contribution Schemes</a>
<a href="#">Note 46: Defined Benefit Pension Schemes</a>
<a href="#">Note 47: Contingent Liabilities</a>
<a href="#">Note 48: Agency Services</a>
<a href="#">THE COLLECTION FUND</a>
<a href="#">MEMORANDUM NOTES - TRUST FUNDS</a>
<a href="#">Annual Governance Statement</a>
<a href="#">Councillors Allowances &amp; Expenses Additional Disclosures</a>
<a href="#">Glossary</a>

## **Explanatory Foreword**

### **INTRODUCTION**

The Statement of Accounts presents the overall financial position for the year ended 31<sup>st</sup> March, 2011 and incorporates all the financial statements and disclosure notes required by statute. The foreword provides an explanation of the Council's overall financial performance for 2010/11, details the year-end financial position for 2010/11, outlines the impact of the current economic climate on the Council's ongoing financial position and provides a guide to the most significant matters reported in the Statement of Accounts.

### **OVERALL FINANCIAL PERFORMANCE AND YEAR END FINANCIAL POSITION FOR 2010/2011**

#### **Revenue Spending 2010/2011 - Budget Position**

The Council prepares a rolling three year financial strategy. This is based on known Government grant settlements for council's. As the previous Government grant settlement covered a fixed period of 3 years up to 2010/11 an assessment of future settlements was made when the Council rolled its financial strategy forward. On this basis it was anticipated that from 2011/12 the Council faced significant reductions in Government funding and a strategy for addressing this issue would need to be developed. Further details are provided later in this foreword.

The preparation of the 2010/2011 budget was set against the background of a relatively favourable grant settlement but continuing uncertainty of the impact of the global and national recession on the public finances. On the downside the Council faced a range of budget pressures as a result of inflation, demographic pressures arising from caring for an ageing population, increased support for vulnerable adults with mental health and/or learning difficulties and increased support for vulnerable children.

For 2010/11 the Council faced an overall budget shortfall of £7 million. The increase in Government grant of £1.7 million reduced this shortfall to £5.3 million. The net shortfall was then bridged through a combination of increasing Council Tax and efficiency savings. Council Tax was increased by 2.5%, which matched the level of increase in state pensions to avoid placing an additional financial burden on pensioners. This raised £1.1 million. The remaining deficit of £4.2 million was bridged from efficiency savings, including a £2.5 million reduction in management and administrative costs from reducing the number of departments from 5 to 3 and reducing the number of managers. The management and administrative changes were achieved by reviewing responsibilities and increased use of Information Technology.

The Council's net 2010/11 General Fund budget, which is the amount funded from Government Grant and Council Tax, was £170.006m.

#### **Revenue Spending 2010/2011 - Outturn Position**

During 2010/2011 the Council had to manage three significant additional financial events, which were not anticipated when the budget was set in February 2010.

The first related to the impact of the new Government's decision to implement in-year reductions to previously agreed grant allocations for 2010/2011. Whilst the Council had already begun to plan for a much more difficult financial position from 2011/2012 and a period of reducing Government grant allocations, it had not been expected that in-year grant cuts would be made. The new Government's decisions reduced the Council's previously agreed revenue grants by £2.154 million and capital grants by £1.402 million. The Council partly mitigated the in-years cuts in revenue grants by re-allocating some of the Council's reserves to continue to fund services with the highest Council priority until the end of the financial year. It was not possible to offset the whole of revenue grant reductions so some services had to be stopped. The reductions in capital grants meant that planned expenditure had to be scaled back to the level of resources available.

The second issue related to the financial outturn for the Tall Ships event. Whilst this was a hugely successful event and costs came in on budget, the level of Park and Ride income was less than forecast. The Council therefore needed to allocate an additional £0.720 million for this event. The majority of this shortfall was funded from lower interest payments on the Council's loans and higher investment income, which avoided this issue impacting on the delivery of services during 2010/11.

The third issue related to the impact of the Government's Spending Review which details public spending reductions for the 4 years commencing 2011/12. Further details of the impact this will have on the Council are provided later in the foreword. Whilst this issue did not directly impact on the Council's 2010/11 financial position, it provided a clear direction of future Government grant levels and the resulting reductions in the Council's budget. In response to the reductions in future Government grants the Council implemented measures in 2010/11 to reduce expenditure wherever possible to help the budget position in 2011/12. As pay costs are the Council's major expenditure this action included careful management of staffing levels and vacancies.

The aims of this measure was to reduce costs in 2010/11 and to hold posts vacant to increase the opportunity for redeploying staff in 2011/12 and minimise the number and cost of compulsory redundancies. As a result of the actions to manage expenditure and the receipt of additional income the Council achieved an under-spend of £4.3m – which equates to 2.5% of the 2010/11 General Fund budget of £170.006 million.

The Council allocated these resources to manage a range of corporate and departmental budget risks. This action helps protect the Council's medium term financial position. The key issues include:

· Corporate Risk - £1.035m

This amount has been earmarked to increase the Strategic Risk Reserve to the level of estimated risks for Equal Pay/Equal Value pay claims, to cover potential salary costs if vacancy levels are less than expected and to cover anticipated shortfalls in income streams for the Shopping Centre, Car Parking and Land Charges.

· Child and Adult Services Risk Reserves - £1.456m

A range of Risk Reserves have been established for volatile (and often high cost) services for vulnerable children and adults. These reserves will help avoid these issues impacting on the 2011/12 budget and provide time to develop a sustainable strategy if costs and/or demand for services increases.

· Regeneration and Neighbourhood Services Risk Reserves - £0.988m

Specific reserves have been established to fund expenditure commitments which have been rephased from 2010/11 to 2011/12, or future years and to manage the costs of potential remedial works and protect against future income volatility.

· Chief Executives Department Risk Reserves - £0.406m

A range of small reserves have been established to cover future redundancy costs, to complete ICT projects which will deliver ongoing savings and to offset specific grant reductions in 2011/12 to enable the reduction to be managed on a planned basis.

After reflecting the above contributions to earmarked reserves the Council made a net contribution to General Fund Balances of £0.394m. This included unused Transitional Support Grant of £0.305m.

## Summary of 2010/2011 Financial Position

Description of Expenditure	2010/2011 Approved Budget £000	2010/2011 Actual Expenditure / Income £000	2010/2011 Variance Adverse / (Favourable) £000
<u>Departmental Expenditure</u>			
Child & Adult Services	62,277	60,173	(2,104)
Chief Executives Department	5,767	5,335	(432)
Regeneration & Neighbourhoods	27,283	26,304	(979)
<b>Total Departmental Expenditure</b>	<b>95,327</b>	<b>91,812</b>	<b>(3,515)</b>
Non Departmental Expenditure	12,962	12,198	(764)
Dedicated Schools Grant Related Expenditure	61,717	61,717	0
<b>Expenditure</b>	<b>170,006</b>	<b>165,727</b>	<b>(4,279)</b>
<b>Contributions to Reserves</b>			
Child & Adult Services	0	1,456	1,456
Chief Executives Risk Reserve	0	406	406
Regeneration & Neighbourhood Services	0	988	988
Strategic Risk Reserve	0	1,035	1,035
<b>Total Contributions to Reserves</b>	<b>0</b>	<b>3,885</b>	<b>3,885</b>
<b>Total Expenditure</b>	<b>170,006</b>	<b>169,612</b>	<b>(394)</b>
<b>Net Contribution to General Fund Balance</b>			<b>394</b>

### The Council's budget was funded from the following sources :

	£000	%
<b><u>Grant Funding</u></b>		
Dedicated Schools Grant	61,717	36%
Share of National Non-Domestic Pool	44,989	26%
Area Based Grant	15,338	9%
Revenue Support Grant	6,533	4%
<b>Total Grant Funding</b>	<b>128,577</b>	<b>76%</b>
<b><u>Other Funding</u></b>		
Council tax (HBC Charge on Collection Fund)	39,655	23%
Use of Reserves	1,774	1%
<b>Total Other Funding</b>	<b>41,429</b>	<b>24%</b>
<b>Total Funding</b>	<b>170,006</b>	<b>100%</b>

### **IMPACT OF THE CURRENT ECONOMIC CLIMATE ON THE COUNCIL'S ONGOING FINANCIAL POSITION**

The current economic climate has reduced the level of income received from the Shopping Centre, Car Parks and Land Charges. In 2010/2011 these reductions, which totalled around £0.7 million, have been managed from within the Council's overall budget. A specific risk reserve has been established at the end of 2010/2011 to cover these shortfalls continuing in 2011/12. The ongoing position will be reviewed as part of budget process for 2012/2013. There has also been a significant reduction in interest earned on the Council's investments, although this has been mitigated by lower interest costs on the Council's borrowing. On a positive note the Council has maintained collection rates for Council Tax at 97% (97% 2009/2010) and Business Rates at 97% (98% 2009/2010).

During 2010/11 the Council began planning for significant reductions in grant funding in 2011/2012 and the following three years. It was my view that these reductions would be front loaded, rather than being phased equally over four years, as the new Government was committed to reducing the national budget deficit. The Council therefore began planning on the basis of potential grant reductions of between 25% and 30% over four years, with these reductions being fronted loaded over the first 2 years at between 15% and 20%.

The Council's fears were confirmed when the Government announced actual grant reductions in Hartlepool's main revenue grant of 12% in 2011/12 and a further 8% in 2012/13. This equates to a cumulative reduction of 20%.

As a result of the grant reduction and demographic pressures the Council needed to reduce costs by £10 million for 2011/2012. This was achieved through a combination of measures -

- £2.9 million was saved through the Council's Business Transformation Programme, which commenced in 2010/11 and was designed to provide savings over a number of years and has now delivered ongoing permanent savings of £5.4 million.

- £1.5 million was saved by corporate measures. This included removing the budget provision for supporting the replacement of Mill House Leisure Centre, which will now not happen until capital grant funding becomes available again and the release of specific reserves which could be allocated to support the budget.

- £5.6 million was saved by reviewing existing services and either scaling back services, or ceasing to provide some services completely. These saving included £1.7 million from reducing management and administration costs.

In recognition of the significant reduction in grant funding the Government provided Hartlepool with a Transitional Grant (which was only paid to 37 other councils) of £1.8 million. The Council used £1.5m of this grant to fund redundancy costs arising from the budget cuts implemented in April 2011. The unused balance of the Transitional Grant was transferred to General Fund balances at 31<sup>st</sup> March 2011.

On the basis of the grant reduction announced for 2012/13 the Council needs to make further budget reductions for this year of £6.6 million and has began planning to achieve these reductions. The position for the following two years is less certain as the Government have not yet provided detailed grant allocation for individual councils for these years. However, the Government have provided details of the cuts in the overall level of funding for councils for these years. On this basis it is expected that further budget reductions of £8.1 million will need to be made before the start of 2014/15. These reductions will mean that by 2014/15 the Council's cash budget will be the same as it was in 2005/06. Detailed proposals for achieving these additional reductions will need to be developed, together with a strategy for funding the resulting redundancy costs.

## **CAPITAL PROGRAMME**

### **Capital Spending 2010/2011 - Outturn Position**

In 2010/2011 the Council had a total Capital Programme of £64.154m and incurred £33.483m. The remaining capital programme of £30.671m has been rephased to 2011/2012. An analysis of this actual 2010/2011 expenditure is shown below, together with an analysis of how this expenditure was financed.

	<b>£000</b>	<b>%</b>
<b><u>Expenditure</u></b>		
School Improvements	12,366	37%
Housing Investment Programme	9,271	28%
Other Schemes	9,074	27%
Highway Maintenance & Construction	1,879	6%
New Deal for Communities Partnership	893	2%
<b>Total Expenditure</b>	<b>33,483</b>	<b>100%</b>
<b><u>Capital Financing</u></b>		
Other	22,266	66%
Borrowing	9,708	29%
Capital Receipts	1,509	5%
<b>Total Capital Financing</b>	<b>33,483</b>	<b>100%</b>

As at 31<sup>st</sup> March, 2011, the Council had capital commitments arising from rephasing of programmed capital spending into 2011/2012 of £30.671m. These commitments can be funded from the following resources, which can be rephased to 2011/2012.

This position reflects the lead time between commissioning capital schemes and the completion of the work. In many cases schemes had commenced in 2010/2011 and will be completed in 2011/2012.

**Capital Financing**

Government Grants

Borrowing

Capital Funding Reserves

**£000**

21,411

6,792

2,468

**30,671**

**Capital Receipts**

The Council received £0.618m from the sale of assets during 2010/2011.

**BORROWING FACILITIES AND INVESTMENT STRATEGY**

The Council's arrangement for borrowing accord with the Council's Treasury Management Strategy, which was drawn up to comply with the Code of Practice for Treasury Management in Local Authorities published by the Chartered Institute of Public Finance and Accountancy.

In accordance with this strategy the Council has taken a proactive approach to managing cash investments and debt. During 2010/2011 no new long term borrowing was undertaken as the Council continued to manage investment risk by using surplus cash to temporarily avoid new long term borrowing. This strategy reduced external cash investments during a period of market uncertainty and limited the Council's exposure to the risk of default.

**PENSIONS**

The Council has accounted for retirement benefits according to International Financial Reporting Standard (IFRS) IAS 19. In the Accounts as at 31<sup>st</sup> March 2011, there was a deficit on the Pensions Reserve of £51.856m (£121.612m in 2009/2010) which decreased the net worth of the Council. This was offset by a Pension Liability of the same value. The change in the deficit arose substantially because of plans announced by the Government to increase future Local Government pensions in line with the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). The actuarial assumption is that the CPI will increase at a slower rate than the RPI resulting in pension increases and therefore the IAS19 liabilities being lower. This 'past service gain' of £34.008m is disclosed separately in the Comprehensive Income and Expenditure Statement owing to the exceptional nature of the item. actuarial gains in the pension fund liabilities. Further information is included at Note 46 of the Financial Statements.

The Council is a member of the Teesside Pension Fund and the statutory arrangements for this scheme mean that the IAS19 deficit does not need to be made good by increased pension's contributions from the Council or employees. A separate Pension Fund valuation is carried out every three years to determine the Council's contribution rate. The last valuation set the employer's contribution rate for the period 2008/2009 to 2010/2011. The latest valuation showed that overall funding level for the Teesside Pension Fund was 98%. This compares very favourably with other Local Government Pension Schemes and enabled the actuary to certify a lower employer contribution for the three years commencing 2008/2009 for most employers within the Fund. For Hartlepool the employers' rate reduced by 2%. This saving was built into the 2010/2011 budget.

Further information is included in the Notes to the Statement of accounts.



## **CORE FINANCIAL STATEMENTS**

### **Introduction of International Financial Reporting Standards ( IFRS)**

For 2010/11 the Council adopted the new CIPFA Code of Practice on Local Authority Accounting which is based on International Financial Reporting Standards instead of UK GAAP. The Code requires changes to the layout of the Core Financial Statements and restatement of prior years comparators as if the new Code had always been in existence. The main changes to prior year comparators are described in Note 1- Transition to International Reporting Standards and the new Accounting Policies adopted as a result of the changes.

Note 1 shows that the net worth on the balance sheet as at 31st March 2010 of £86.97m under UK GAAP moved to £116.296m under IFRS. The movement on the 2009/2010 income and expenditure account was from £23.172m under UK GAAP to £19.898m under IFRS. These changes do not affect the financial position of the Council.

A detailed analysis of the Council's financial position can be found in the Core Financial Statements. A brief explanation of the purpose and significant financial issues of each of the statements is given below :

### **Movement in Reserves Statement**

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and unusable reserves (ie those which are accounting reserves). The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting and dwellings rent setting purposes. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

### **Comprehensive Income and Expenditure Statement**

This Statement shows the economic cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

There are two exceptional items reported separately on the face of this statement:-

- Pension Past Service Costs Gain Pensions resulting from the Governments decision to increase Local Government pensions in line with CPI rather than RPI (£34.008m).
- Transfer of Foundation School assets following the legal transfer of assets to Dyke House and Manor Schools (£24.368m)

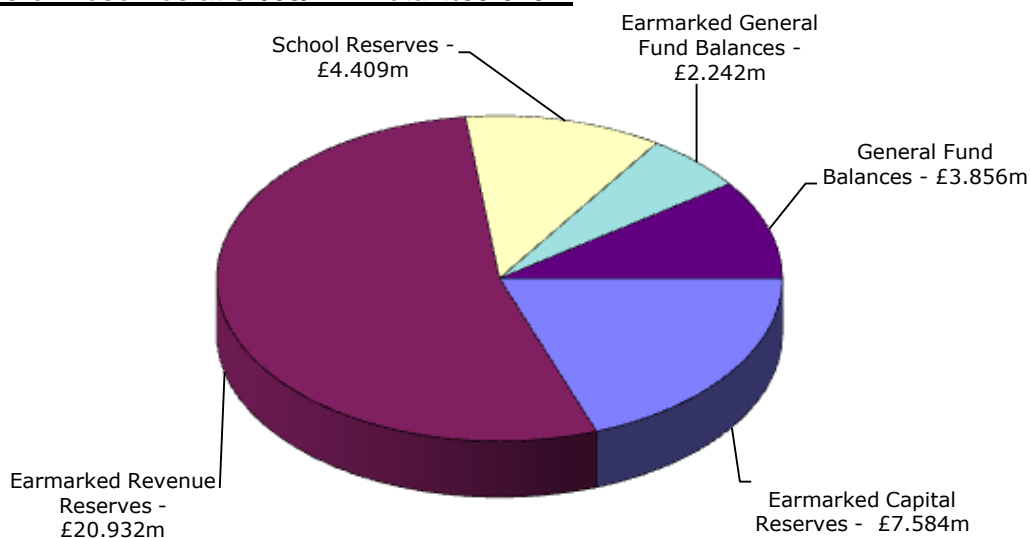
### **Balance Sheet**

The Balance Sheet shows the value as at the Balance Sheet date of the asset and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

The major movements on the Balance Sheet are as follows:

- Property, Plant and Equipment, Revaluation Reserve and Capital Adjustment Account – the Council's total fixed assets have decreased by £23.136m which comprises of expenditure on fixed assets of £27.350m, revaluation of existing assets of £2.559m, less depreciation, impairments and disposals of £53.045m.
- Debtors – as at 31<sup>st</sup> March, 2011, are £17.801m (£17.228m at 31<sup>st</sup> March, 2010). The increase is mainly owing to an amounts owed from Government departments.
- Long Term Investments, plus current investments - totalled £19.022m as at 31<sup>st</sup> March, 2011 (£36.417m at 31<sup>st</sup> March, 2010). The reduction largely relates to the changes in cash flows and the Council's continuing strategy of reducing investments by repaying borrowing.
- Temporary short terms loans plus bank overdraft - as at 31<sup>st</sup> March, 2011, were £6.906m (£18.942m at 31<sup>st</sup> March, 2010). The decrease is mainly owing to cash flow changes and the Authority's decision not to undertake new borrowing until the financial markets become less volatile.
- Long Term Borrowing – as at 31<sup>st</sup> March, 2011, was £46.821m (£46.821m at 31<sup>st</sup> March, 2010). The stability of long term borrowing reflects the Authority's decision not to undertake new borrowing until the financial markets have stabilised and the outlook for interest rates is more certain.
- Earmarked Reserves and General Fund Balances – as at 31<sup>st</sup> March 2011, are £39.023m (£34.466m at 31<sup>st</sup> March 2010). The net increase reflects a number of factors. Firstly, the level of earmarked capital reserves has increased and these resources are earmarked to fund capital expenditure commitments repensed from 2010/2011 to 2011/2012. Secondly, contributions have been made to specific reserves to manage risks and protect the Council's financial position. Finally, school balances have increased as schools prepare for a more challenging financial future and lower increases in funding. These increases have been funded from one-off benefits which will not be repeated. Looking to the future the Council's reserves will fall significantly as these resources are committed for one-off expenditure commitments and supporting the revenue budgets in 2011/2012. Details of the movements on reserves and balances are provided in Note 7. In summary reserves at 31<sup>st</sup> March 2011, consist of five main components:

#### **Analysis of Reserves at 31/03/11 - Total £39.023m**



- Earmarked - Capital Reserves - (£7.584m) these reserves are earmarked for capital expenditure commitments repensed from 2010/2011 to 2011/2012.
- Earmarked - Revenue Reserves - these reserves are earmarked for specific risks and include the Insurance Fund (£3.2m), Strategic Risk Reserve (£3.3m), Ring Fence Grants (£3.4m).
- School Reserves - (£4.409m) these reserves are earmarked for individual schools in accordance with the scheme for funding schools.

- Earmarked General Fund Balances - this includes the Budget Support Fund (£1.4m) which will be used in 2011/2012.
- General Fund Balances – (£3.856m) this balance is earmarked for unforeseen commitments.

## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the Council.

## Supplementary Financial Statements

### Collection Fund

The Collection Fund is a statutory fund, separate from the General Fund of the Council, which accounts independently for transactions relating to council tax, non domestic rates and residual community charges. The Fund is operated and reported on under the same accounting policies as Hartlepool Borough Council.

The total Council Tax for the year was £1,628.14 for Band D properties, excluding parish precepts where these applied. This comprised £1,384.10 for the Council's own services, £182.47 for the Cleveland Police Authority and £61.57 for the Cleveland Fire Authority. Each Authority determined its own tax and made a precept on the Collection Fund.

The tax for the Council's services was determined on the basis of an equated number of 28,042 Band D properties. When setting the charge a 1.5% allowance for non-collection was made.

Further details on the income and expenditure of the Fund are shown in the Collection Fund notes.

	<b>£000</b>	<b>%</b>
<b>Expenditure</b>		
Cleveland Police Authority Precept	5,218	7%
HBC Precept	39,440	57%
Cleveland Fire Authority Precept	1,777	3%
Payment to NNDR Pool	22,676	32%
Other	692	1%
	<b>69,803</b>	<b>100%</b>
<b>Income</b>		
Council Tax	46,797	67%
NNDR from Rate Payers	22,810	33%
	<b>69,607</b>	<b>100%</b>
<b>Net Deficit / (Surplus) in Year</b>	<b>196</b>	

## **CHANGES IN COUNCIL RESPONSIBILITIES**

There were no significant changes in the Council's statutory responsibilities during 2010/2011.

## **ACCOUNTING POLICIES**

The accounting policies adopted by the Council comply, except where specific reference is made, with the relevant recommended accounting practice.

The Council's policies are explained fully in the Statement of Accounting Policies. For the purpose of the Statement of Accounts the Council's expenditure follows the standard classification recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the comparative figures for 2009/2010 have been shown where appropriate. The notes affected by IFRS will have a third balance sheet comparator for 1st April 2009.

## **INSPECTION OF ACCOUNTS**

Interested members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection was advertised in the local press and in relation to the 2010/2011 financial year the inspection period was 1st July 2011 to 28th July 2011.

Chris Little  
Chief Finance Officer  
Date : 30th June 2011

## **Statement of Responsibilities for the Statement of Accounts**

### **The Council's Responsibilities**

The Council is required to :

- \* make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Chief Finance Officer ;
- \* manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- \* approve the Statement of Accounts.

I confirm that the accounts set out in this document were approved by the Audit Committee at the meeting held on 23rd September, 2011

Councillor C Akers-Belcher  
Chair of Audit Committee  
Date: 23 September 2011

### **The Chief Finance Officer's Responsibilities**

The Chief Finance Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the CODE').

In preparing this Statement of Accounts, the Chief Finance Officer has:

- \* selected suitable accounting policies, and then applied them consistently;
- \* made judgements and estimates that were reasonable and prudent;
- \* complied with the Code of Practice on Local Authority Accounting

The Chief Finance Officer has also :

- \* kept proper accounting records which were up-to-date;
- \* taken reasonable steps for the prevention and detection of fraud and other irregularities.

### **Certification of the Accounts by the Chief Finance Officer**

In accordance with the requirements of the Accounts and Audit Regulations 2011 I certify that the Statement of Accounts gives a true and fair view of the financial position of Hartlepool Borough Council at the accounting date and its income and expenditure for the year ended 31<sup>st</sup> March 2011

Chris Little  
Chief Finance Officer  
Date: 30th June, 2011

## Movement in Reserves Statement for the year ended 31 March 2011

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund Balance	Earmarked General Fund reserves	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Reserves</b>
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Balance at 31 March 2009</b>	4,575	11,586	18,636	1,533	1,005	37,335	153,393	190,728
<b><u>Movement in reserves during 2009/10</u></b>								
Surplus or (deficit) on provision of services	(19,898)	-	-	-	-	(19,898)	-	(19,898)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	(54,536)	(54,536)
<b>Total Comprehensive Income and Expenditure</b>	(19,898)	-	-	-	-	(19,898)	(54,536)	(74,434)
Adjustments between accounting basis & funding basis under regulations (note 6)	18,012	-	-	(642)	(343)	17,027	(17,027)	0
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	(1,886)	-	-	(642)	(343)	(2,871)	(71,563)	(74,434)
Transfers to/(from) Earmarked Reserves	773	(5,077)	4,304	-	-	-	-	-
<b>Increase/(Decrease) in Year</b>	(1,113)	(5,077)	4,304	(642)	(343)	(2,871)	(71,563)	(74,434)
<b>Balance at 31 March 2010 carried forward</b>	3,462	6,509	22,940	891	662	34,464	81,830	116,294
<b><u>Movement in reserves during 2010/11</u></b>								
Surplus or (deficit) on provision of services	6,713	-	-	-	-	6,713	-	6,713
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	40,236	40,236
<b>Total Comprehensive Income and Expenditure</b>	6,713	-	-	-	-	6,713	40,236	46,949
Adjustments between accounting basis & funding basis under regulations (note 6)	(3,577)	-	-	(891)	2,313	(2,155)	2,155	-
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	3,136	-	-	(891)	2,313	4,558	42,391	46,949
Transfers to/from Earmarked Reserves	(2,742)	142	2,600	-	-	-	-	-
<b>Increase/(Decrease) in Year</b>	394	142	2,600	(891)	2,313	4,558	42,391	46,949
<b>Balance at 31 March 2011 carried forward</b>	3,856	6,651	25,540	-	2,975	39,022	124,221	163,243

For detail on Usable and Unusable Reserves see Notes 29 and 30.

## Comprehensive Income and Expenditure Statement for the year ended 31 March 2011

This Statement shows the economic cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Restated 2009/10			2010/11				
£000s Expenditure	£000s Income	£000s Net	Continuing operations:	£000s Expenditure	£000s Income	£000s Net	Note
17,118	14,919	2,199	Central Services to the Public	19,239	16,908	2,331	
48,498	11,805	36,693	Cultural, Environmental, Regulatory and Planning Services	48,071	16,278	31,793	
125,908	91,004	34,904	Education and Children’s Services	129,400	93,967	35,433	
17,265	4,398	12,867	Highways and Transport Services	18,163	6,247	11,916	
46,053	44,375	1,678	Other Housing Services	53,594	45,026	8,568	
41,703	11,958	29,745	Adult Social Care	42,121	13,581	28,540	
4,487	46	4,441	Corporate and Democratic Core	5,342	513	4,829	
3,333	2	3,331	Non Distributed Costs	1,240	-	1,240	
-	-	-	Past Service Gain - Pensions (see Note (a) below)	(34,008)	-	(34,008)	46
304,365	178,507	125,858	Cost of Services- continuing operations	283,162	192,520	90,642	
108	335	(227)	Other Operating Expenditure	1,010	690	320	9
-	-	-	Transfer of Foundation School Assets (see Note (b) below)	24,368	-	24,368	9
7,270	2,328	4,942	Financing and Investment Income and Expenditure	5,244	2,187	3,057	10
-	110,675	(110,675)	Taxation and Non-Specific Grant Income	-	125,100	(125,100)	11
311,743	291,845	19,898	(Surplus) or Deficit on Provision of Services	30,622	127,977	(6,713)	8
		(8,700)	Surplus or deficit on revaluation of Property, Plant and Equipment			1,476	30 Table 1
		92	Surplus or deficit on revaluation of available for sale financial assets			186	30 Table 2
		63,144	Actuarial gains or losses on pension assets & liabilities			(41,884)	30 Table 4
		-	Other Gains and Losses			(12)	30 Table 5
		54,536	Other Comprehensive Income and Expenditure			(40,234)	
		74,434	Total Comprehensive Income and Expenditure			(46,947)	

Note (a) - The Government announced plans to increase future Local Government pensions in line with the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). The actuarial assumption is that the CPI will increase at a slower rate than the RPI resulting in pension increases and therefore the IAS19 liabilities being lower. This 'past service gain' of £34.008m is disclosed separately in the Comprehensive Income and Expenditure Statement owing to the exceptional nature of the item.

Note (b) - Following the transfer of Dyke House and Manor schools to Foundation School Status the legal transfer of assets was actioned during 2010/11. This transfer resulted in the need to 'write out' the value of these assets from the Council's accounts. This 'write-out' totalled £24.368m and is disclosed separately in the Comprehensive Income and Expenditure Statement owing to the exceptional nature of these transactions.

# Balance Sheet as at 31 March 2011

The Balance Sheet shows the value as at the Balance Sheet date of the asset and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

Restated 31 March 2009 £000s	Restated 31 March 2010 £000s		31 March 2011 £000s	Note
278,323	277,099	Property, plant and equipment	253,963	15
14,876	14,976	Investment property	15,285	16
10,696	604	Long term investments	418	18
338	244	Long Term Debtors	259	19
304,233	292,923	<b>Long Term Assets</b>	<b>269,925</b>	
30,599	35,813	Short term investments	18,604	
656	756	Inventories	778	20
20,917	17,228	Short Term Debtors	17,801	21
-	79	LATS	147	22
168	2,391	Cash and Cash Equivalents	5,909	23
400	250	Assets held for sale	470	24
52,740	56,517	<b>Current Assets</b>	<b>43,709</b>	
2,196	6,303	Cash and Cash Equivalents	4,822	23
2,704	2,643	Provisions	2,455	26
28,745	12,639	Short Term Borrowing	2,084	
23,860	29,894	Short Term Creditors	22,674	25
57,505	51,479	<b>Current Liabilities</b>	<b>32,035</b>	
472	472	Provisions	745	26
46,821	46,821	Long Term Borrowing	46,821	
55,930	122,553	Other Long Term Liabilities	52,657	27
5,517	11,819	Capital Grants Receipts in Advance	18,133	28
108,740	181,665	<b>Long Term Liabilities</b>	<b>118,356</b>	
190,728	116,296	<b>Net Assets:</b>	<b>163,243</b>	
4,575	3,462	Unearmarked General Fund Balances	3,856	29
7,732	2,966	Earmarked General Fund reserves	2,241	29
3,854	3,543	Schools Balances	4,410	29
3,721	4,623	Earmarked Capital Reserves	7,583	29
17,453	19,873	Earmarked Revenue Reserves	20,932	29
153,393	81,829	Unusable Reserves	124,221	30
190,728	116,296	<b>Total Reserves:</b>	<b>163,243</b>	



**Statement Of Cash Flows For The Year Ended 31 March 2011**

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the council.

Restated 2009/10 £000s		2010/11 £000s	Note
19,873	Net (surplus) or deficit on the provision of services	(6,713)	
(13,757)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(38,180)	40
1,164	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	42,016	41
7,280	<b>Net cash outflow from operating activities</b>	(2,877)	
(11,848)	<b>Investing activities</b>	(20,106)	43
6,452	<b>Financing activities</b>	17,984	44
1,884	Net (increase) or decrease in cash and cash equivalents	(4,999)	
(2,028)	Cash and cash equivalents at the beginning of the reporting period	(3,912)	
(3,912)	<b>Cash and cash equivalents at the end of the reporting period</b>	1,087	23

## Statement of Accounting Policies

### 1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2011 Act.

The Statements reflect the requirements of Financial Reporting Standard (FRS) 18 by adopting the core accounting principals and concepts of:

**Relevance** -the financial statements provide information about the Council's performance and position that is useful to the users of the accounts to assess the stewardship of public funds and for making economic decisions.

**Reliability** – the financial information faithfully represents the substance of the transactions, the activities underlying them and other events that have taken place are free from deliberate or systematic bias and material error and have been prudently prepared.

**Comparability** – the information has been prepared consistently and with adequate disclosures so that it can be compared with prior years and other Local Authorities.

**Understandability** – the statements have been prepared to ensure they are as easy to understand as possible.

**Materiality** – the statements disclose items of a certain size and nature such that they provide a fair presentation of the financial position and transactions of the Council.

**Accruals** – other than the cash flow statement, the financial statements report transactions that have been recorded in the accounting period for which the goods and services were received or supplied rather than in which the cash was received or paid.

**Going Concern** - the financial statements have been prepared on the assumption that the Council will continue in operational existence for the foreseeable future.

**Legality** – where the accounting principles and specific legislation requirements are in conflict, the financial statements have been prepared to reflect legislative requirements.

The accounting policies are the principles, bases, conventions, rules and practices that specify how the effects of transactions and other events are reflected in the financial statements of the Council. Consistent accounting policies have been applied both within the year and between years. Where accounting policies are changed, this has been disclosed separately.

Where estimating techniques are required to enable the accounting practices adopted to be applied, then the techniques, which have been used, are in the Council's view, appropriate and consistently applied. Where the effect of a change to an estimation technique is material, a description of the change and, if practicable, the effect on the results for the current period is separately disclosed.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

## **Statement of Accounting Policies**

### **2. Accruals of Income and Expenditure**

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

**Fees, charges and rents** due from customers are accounted for as income at the date the Council provides the relevant goods or services.

**Employee's costs** are charged to the accounts of the period within which the employees worked which includes 12 monthly payments.

**Supplies and services** are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as stocks on the Balance Sheet.

**Works** are charged as expenditure when they are completed before which they are carried as Works in Progress on the Balance Sheet.

**Interest payable** on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

**Where income and expenditure** has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

**Where payments** are made or received in advance of a service being provided or received a payment or receipt in advance is recognised as a debtor or creditor in the Balance Sheet.

**Income and expenditure** are credited and debited to the relevant revenue account, unless they properly represent capital receipts or capital expenditure.

**Revenue from the sale of goods** is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

**Revenue from the provision of services** is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

**Supplies** are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

**Expenses** in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

**Interest receivable** on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

**Where revenue and expenditure** have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

## **Statement of Accounting Policies**

### **3. Cash and Cash Equivalents**

Cash and cash equivalents is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

### **4. Exceptional Items**

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

### **5. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, ie in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

### **6. Charges to Revenue for Non-Current Assets**

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance [MRP], by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## **Statement of Accounting Policies**

### **7. Employee Benefits**

#### **Benefits Payable During Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (eg cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, eg time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

#### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

#### **Post Employment Benefits**

Employees of the Council are members of two separate pension schemes:

The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).

The Local Government Pensions Scheme, administered by Middlesbrough Council.

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

## Statement of Accounting Policies

### The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

The liabilities of the Teesside Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

The assets of the Teesside Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value.

The change in the net pensions liability is analysed into seven components:

**Current service cost** – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked

**Past service cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

**Interest cost** – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

**Expected return on assets** – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

**Gains or losses on settlements and curtailments** – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

**Actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve

**Contributions paid to the Teesside Pension Fund** – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefit are earned by employees.

## **Statement of Accounting Policies**

### Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

### **8. Events After the Balance Sheet Date**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

### **9. Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

## **Statement of Accounting Policies**

### Area Based Grant

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ringfenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

### **10. Interests in Companies and Other Entities**

Under Local Government Reorganisation the Council was allocated 2.46% of the shares in Durham Tees Valley Airport Limited and 16.5% of the former County Council's shareholding in SITA Team Valley Limited. In the case of Durham Tees Valley Airport Limited, the value on the Balance Sheet has been revised to match the Council's share of net assets.

### **11. Inventories and Long Term Contracts**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the [FIFO/weighted average] costing formula.

Items with a residual value have been disposed of at maximum benefit to the Council. The Chief Finance Officer is advised of obsolete stock prior to disposal for items in excess of £500 in value. Items having no residual value have been disposed of by being either:-

- Advertised internally
- Donated to charitable organisations
- Scrapped (within legislative parameters)
- Specialist removal

Obsolete or damaged stock has been written off otherwise an allowance has been made for obsolescence.

Work in Progress on uncompleted jobs is valued at cost, including an allocation of overheads.

### **12. Investment Property**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value (ie market value), based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are reviewed annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.



## **Statement of Accounting Policies**

### **13. Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

#### **The Council as Lessee**

##### Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

##### Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a rent-free period at the commencement of the lease).

## **Statement of Accounting Policies**

### **The Council as Lessor**

#### Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### **Operating Leases**

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

## **14. Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2010/11 (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

**Corporate and Democratic Core** – costs relating to the Council's status as a multi functional, democratic organisation.

## **Statement of Accounting Policies**

**Non Distributed Costs** – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

The cost of support services is fully allocated to services, or to the Best Value expenditure category of Corporate and Democratic Core. The basis of allocation used for the main costs of management and administration are outlined below:

Central Departmental & Technical Staff -

Actual time spent by staff, or unit charge based upon cost

Democratic Processes

Direct charge to Corporate and Democratic Core

Administrative Buildings

Area occupied

### **15. Property, Plant and Equipment**

Fixed assets are valued on a five-year rolling programme, although material changes to asset values will be adjusted in the interim period as they occur. The current asset values are based upon certificates issued by the Council's Property Management Division. The valuations are prepared in accordance with the Statements and UK Practice Statements contained in the RICS Appraisal and Valuation Standards. The next valuation must be completed as at 1<sup>st</sup> April, 2013. From 1<sup>st</sup> April, 2007, increases in asset valuations are credited to the Revaluation Reserve.

The asset valuations have been prepared using the following assumptions:

- a) The Council has good title free from encumbrances.
- b) There are no hazardous substances or latent defects in the properties and there is no contamination present.
- c) The properties have permanent planning permission and any other necessary statutory consent for their current use.
- d) Plant and machinery is included in the valuation of the property, where applicable.
- e) No special circumstances beyond those likely to be considered by a prospective purchaser in the open market have been taken into account.
- f) No allowance has been made for any liability to taxation, which may arise on disposal, nor for costs of acquisition or realisation.

Not all properties were specifically inspected for the purposes of asset valuations. This was neither practicable, nor considered by the Valuer to be necessary, for the purpose of the valuation. However, regular inspections are made by officers of the Property Section of all the Council's property assets.

Where a non current asset is included in the Balance Sheet at current value, the increase over the previous carrying amount at which that asset was included in the Balance Sheet immediately prior to the latest revaluation is credited to a fixed asset revaluation account, except to the extent that it reverses a revaluation loss on the same asset previously recognised in the Income and Expenditure account, when the revaluation gain is recognised in the Income and Expenditure account.

## **Statement of Accounting Policies**

Where a fixed asset is acquired under a finance lease, at the inception of the lease the amount to be recorded both as an asset and as a liability would be the present value of the minimum lease payments derived by discounting them at the interest rate implicit in the lease.

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

### **Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (ie repairs and maintenance) is charged as an expense when it is incurred.

### **Measurement**

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (ie it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account.

Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- community assets and assets under construction – historical cost
- infrastructure – depreciated historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

## **Statement of Accounting Policies**

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

### Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (ie freehold land and Community Assets) and assets that are not yet available for use (ie assets under construction).

The useful lives of assets are estimated on a realistic basis and are reviewed regularly and, where necessary, revised. Where the useful life of a fixed asset is revised, the carrying amount of the fixed asset is depreciated over the revised remaining useful life. Depreciation is not charged in the year of acquisition.

Depreciation is calculated on the following bases:

- dwellings – 40 years.
- other buildings – 25 to 40 years.
- vehicles, plant and equipment – 3 to 15 years.
- infrastructure – 15 to 100 years.

## **Statement of Accounting Policies**

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

### **Disposals and Non-current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale but remain in property, plant and equipment. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

## **16. Provisions, Contingent Liabilities and Contingent Assets**

### Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

## **Statement of Accounting Policies**

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (eg from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

### Provision for Back Pay Arising from Unequal Pay Claims

The Council has made a provision for the costs of settling claims for back pay arising from discriminatory payments incurred before the Council implemented its equal pay strategy. However, statutory arrangements allow settlements to be financed from the General Fund in the year that payments actually take place, not when the provision is established. The provision is therefore balanced by an Equal Pay Back Pay Account created from amounts credited to the General Fund balance in the year the provision was made or modified. The balance on the Equal Pay Back Pay Account will be debited back to the General Fund balance in the Movement in Reserves Statement in future financial years as payments are made.

### Landfill Allowance Schemes

Landfill allowances, whether allocated by DEFRA or purchased from another Waste Disposal Authority (WDA) are recognised as current assets and are initially measured at fair value. Landfill allowances allocated by DEFRA are accounted for as a government grant.

After initial recognition, allowances are measured at the lower of cost and net realisable value.

As landfill is used, a liability and an expense are recognised. The liability is discharged either by surrendering allowances or by payment of a cash penalty to DEFRA (or by a combination). The liability is measured at the best estimate of the expenditure required to meet the obligation, normally the market price of the number of allowances required to meet the liability at the reporting date. However, where some of the obligation will be met by paying a cash penalty to DEFRA, that part of its liability is measured at the cost of the penalty.

### Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

### Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

## **Statement of Accounting Policies**

### **17. Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

### **18. Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

### **19. VAT**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

### **20. Financial Instruments**

#### Financial liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For existing borrowings this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

For Public Works Loans Board (PWLB) loans, the fair value of each loan has been determined by information supplied by the PWLB. For market loans, the redemption rules of the PWLB have been used to approximate the fair value of loans held. The comparator market rates prevailing have been taken from indicative investment rates at each Balance Sheet date.



## **Statement of Accounting Policies**

### Financial assets

Financial assets are classified into two types:

- Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

- Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the value of equity shares and the net worth of the company. Changes in fair value are balanced by an entry in the Available-for-Sale Reserve

## Note 1: Transition to International Financial Reporting Standards

The Statement of Accounts for 2010/11 is the first to be prepared on an International Financial Reporting Standards (IFRS) basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the figures presented in the Statement of Accounts for 2009/2010.

The following tables explain the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements.

### RECONCILIATION OF NET WORTH REPORTED UNDER PREVIOUS GAAP TO NET WORTH UNDER IFRS AT THE DATE OF TRANSITION TO IFRS (1st APRIL 2009)

	Previous	Effect of transition to IFRS				IFRS
	GAAP £000s	Absences £000s	Leases £000s	Grants £000s	Other £000s	£000s
<b>Non-current assets</b>						
Property, plant and equipment	271,144	-	457	-	(173)	<b>271,428</b>
Assets under Construction	6,896	-	-	-	-	<b>6,896</b>
Assets Held for Disposal	5,875	-	-	-	(5,875)	<b>0</b>
Investment property	13,489	-	-	-	1,386	<b>14,875</b>
Assets held for sale	0	-	-	-	-	<b>0</b>
Long term investments	10,696	-	-	-	-	<b>10,696</b>
Long Term Debtors	338	-	-	-	-	<b>338</b>
<b>Total non-current assets</b>	<b>308,438</b>	<b>-</b>	<b>457</b>	<b>-</b>	<b>(4,662)</b>	<b>304,233</b>
<b>Current assets</b>						
Short term investments	30,655	-	-	-	(56)	<b>30,599</b>
Inventories	656	-	-	-	0	<b>656</b>
Short Term Debtors	20,917	-	-	-	0	<b>20,917</b>
Cash and Cash Equivalents	112	-	-	-	56	<b>168</b>
Assets held for sale	0	-	-	-	400	<b>400</b>
<b>Total current assets</b>	<b>52,340</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>400</b>	<b>52,740</b>
<b>Current liabilities</b>						
Cash and Cash Equivalents	2,196	-	-	-	-	<b>2,196</b>
Short Term Borrowing	28,745	-	-	-	-	<b>28,745</b>
Short Term Creditors	21,617	2,323	-	(80)	-	<b>23,860</b>
Capital Grants Unapplied	5,770	-	-	(5,770)	-	<b>-</b>
Provisions	0	-	-	-	-	<b>-</b>
<b>Total current liabilities</b>	<b>58,328</b>	<b>2,323</b>	<b>-</b>	<b>(5,850)</b>	<b>-</b>	<b>54,801</b>
<b>Long term liabilities</b>						
Long Term Creditors	-	-	-	-	-	<b>-</b>
Provisions	3,176	-	-	-	-	<b>3,176</b>
Long Term Borrowing	46,821	-	-	-	-	<b>46,821</b>
Deferred Liabilities	792	-	1,088	(673)	-	<b>1,207</b>
Other Long Term Liabilities	54,723	-	-	-	-	<b>54,723</b>
Govt Grant Deferred	32,506	-	-	(32,506)	-	<b>-</b>
Capital Grants Receipts in Advance	-	-	-	5,517	-	<b>5,517</b>
<b>Total long term liabilities</b>	<b>138,018</b>	<b>-</b>	<b>1,088</b>	<b>(27,662)</b>	<b>-</b>	<b>111,444</b>
<b>Net Assets:</b>	<b>164,432</b>	<b>(2,323)</b>	<b>(631)</b>	<b>33,512</b>	<b>(4,262)</b>	<b>190,728</b>
<b>Reserves</b>						
Usable reserves	36,329	-	-	1,006	-	<b>37,335</b>
Unusable Reserves	128,103	(2,323)	(631)	32,506	(4,262)	<b>153,393</b>
<b>Total Reserves:</b>	<b>164,432</b>	<b>(2,323)</b>	<b>(631)</b>	<b>33,512</b>	<b>(4,262)</b>	<b>190,728</b>

**Note 1: Transition to International Financial Reporting Standards****RECONCILIATION OF NET WORTH REPORTED UNDER PREVIOUS GAAP TO NET WORTH UNDER IFRS AT THE END OF THE LATEST PERIOD PRESENTED IN THE MOST RECENT FINANCIAL STATEMENTS UNDER PREVIOUS GAAP (31st MARCH 2010)**

	Previous	Effect of transition to IFRS				IFRS
	GAAP £000s	Absences £000s	Leases £000s	Grants £000s	Other £000s	£000s
<b>Non-current assets</b>						
Property, plant and equipment	276,868	-	338	-	(107)	<b>277,099</b>
Investment property	13,532	-	-	-	1,444	<b>14,976</b>
Assets held for sale	9,844	-	-	-	(9,844)	-
Long term investments	604	-	-	-	-	<b>604</b>
Investments in Associates & Joint Ventures	-	-	-	-	-	-
Long Term Debtors	244	-	-	-	-	<b>244</b>
<b>Total non-current assets</b>	<b>301,092</b>	-	<b>338</b>	-	<b>(8,507)</b>	<b>292,923</b>
<b>Current assets</b>						
Short term investments	38,093	-	-	-	(2,280)	<b>35,813</b>
Inventories	756	-	-	-	-	<b>756</b>
Short Term Debtors	17,228	-	-	-	-	<b>17,228</b>
LATS	79	-	-	-	-	<b>79</b>
Cash and Cash Equivalents	111	-	-	-	2,280	<b>2,391</b>
Assets held for sale	-	-	-	-	250	<b>250</b>
<b>Total current assets</b>	<b>56,267</b>	-	-	-	<b>250</b>	<b>56,517</b>
<b>Current liabilities</b>						
Cash and Cash Equivalents	6,303	-	-	-	-	<b>6,303</b>
Short Term Borrowing	12,639	-	-	-	-	<b>12,639</b>
Short Term Creditors	27,380	2,594	-	(80)	-	<b>29,894</b>
Capital Grants Unapplied	11,934	-	-	(11,934)	-	-
<b>Total current liabilities</b>	<b>58,256</b>	<b>2,594</b>	-	<b>(12,014)</b>	-	<b>48,836</b>
<b>Long term liabilities</b>						
Long Term Creditors	-	-	-	-	-	-
Provisions	3,115	-	-	-	-	<b>3,115</b>
Long Term Borrowing	46,821	-	-	-	-	<b>46,821</b>
Deferred Liabilities	730	-	867	(668)	-	<b>929</b>
Other Long Term Liabilities	121,624	-	-	-	-	<b>121,624</b>
Govt Grant Deferred	39,842	-	-	(39,842)	-	-
Capital Grants Receipts in Advance	-	-	-	11,819	-	<b>11,819</b>
Deferred tax liability	-	-	-	-	-	-
<b>Total long term liabilities</b>	<b>212,132</b>	-	<b>867</b>	<b>(28,691)</b>	-	<b>184,308</b>
<b>Net Assets:</b>	<b>86,971</b>	<b>(2,594)</b>	<b>(529)</b>	<b>40,705</b>	<b>(8,257)</b>	<b>116,296</b>
<b>Reserves</b>						
Usable reserves	33,603	-	-	864	-	<b>34,467</b>
Unusable Reserves	53,368	(2,594)	(529)	39,841	(8,257)	<b>81,829</b>
<b>Total Reserves:</b>	<b>86,971</b>	<b>(2,594)</b>	<b>(529)</b>	<b>40,705</b>	<b>(8,257)</b>	<b>116,296</b>

**Note 1: Transition to International Financial Reporting Standards****RECONCILIATION TO TOTAL COMPREHENSIVE INCOME & EXPENDITURE UNDER IFRS AT THE END OF THE LATEST PERIOD PRESENTED IN THE MOST RECENT FINANCIAL STATEMENTS UNDER PREVIOUS GAAP (31st MARCH 2010)**

	Net Expenditure					IFRS £000s
	Previous GAAP £000s	Absences £000s	Leases £000s	Grants £000s	Other £000s	
<b>Continuing operations:</b>						
Central services to the public	2,203	(1)	(3)	-	-	<b>2,199</b>
Cultural, environmental, regulatory and planning services	32,438	5	(87)	488	3,849	<b>36,693</b>
Education and children's services	34,094	259	(158)	1,071	(362)	<b>34,904</b>
Highways and transport services	11,935	8	(15)	939	-	<b>12,867</b>
Other housing services	1,680	1	(3)	-	-	<b>1,678</b>
Adult social care	29,773	(1)	(51)	24	-	<b>29,745</b>
Corporate and democratic core	4,447	-	(6)	-	-	<b>4,441</b>
Non distributed costs	3,314	-	(6)	23	-	<b>3,331</b>
<b>Cost Of Services</b>	<b>119,884</b>	<b>271</b>	<b>(329)</b>	<b>2,545</b>	<b>3,487</b>	<b>125,858</b>
Other Operating Expenditure	(227)	-	-	-	-	<b>(227)</b>
Financing and Investment Income and Expenditure	4,453	-	227	-	262	<b>4,942</b>
Taxation and Non-Specific Grant Income	(100,938)	-	-	(9,737)	-	<b>(110,675)</b>
<b>(Surplus) or Deficit on Provision of Services</b>	<b>23,172</b>	<b>271</b>	<b>(102)</b>	<b>(7,192)</b>	<b>3,749</b>	<b>19,898</b>
Surplus or deficit on revaluation of fixed assets	(8,946)	-	-	-	246	<b>(8,700)</b>
Surplus or deficit on revaluation of available for sale financial assets	-	-	-	-	-	-
Actuarial gains or losses on pension assets & liabilities	63,144	-	-	-	-	<b>63,144</b>
Other Gains and Losses	92	-	-	-	-	<b>92</b>
<b>Other Comprehensive Income and Expenditure</b>	<b>54,290</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>246</b>	<b>54,536</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>77,462</b>	<b>271</b>	<b>(102)</b>	<b>(7,192)</b>	<b>3,995</b>	<b>74,434</b>

**Short-term accumulating compensated absences**

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Council. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render service that increases their entitlement to future compensated absences. As a result, the Council is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The Government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when the employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

## **Note 1: Transition to International Financial Reporting Standards**

### **Leases**

The Code has adopted IAS 17, Accounting for Leases. Under IAS 17 the classification of leases as either operating leases or finance leases has changed. This has resulted in a number of leases for property, plant and equipment that were formerly classified as operating leases being classified as finance leases.

The Government has issued regulations and statutory guidance in relation to accounting for leases. Under these arrangements, the annual charge to the General Fund (where the Council is the lessee) will be unchanged. Where the Council is the lessor, the regulations allow the Council to continue to treat the income from existing leases in the same way as it accounted for the income prior to the introduction of the Code.

As a consequence of reclassifying operating leases to finance leases, the financial statements have been amended as follows:

- The Council has recognised an number of non-current assets within Property, Plant and Equipment
  - Operating lease charges made in a number of service areas have been reduced to reflect the change to finance leases
  - The interest element of the lease payment is charged to the Financing and Investment Income & Expenditure line in the Surplus or deficit on the Provision of Services
  - An amount equivalent to the lease repayment has been charged within the statutory charge for capital financing (Minimum Revenue Provision) and is made against the General Fund Balance in the Movement in Reserves Statement (and posted to the Capital Adjustment Account)
  - A depreciation charge has been included against the relevant service area to write down asset values
- The depreciation charge has been transferred from the General Fund to the Capital Adjustment Account. This
- transfer has been reflected in the Balance Sheets as at 1 April 2009 and 31 March 2010, and the adjustments that relate to 2009/10 are reported in the Movement in Reserves Statement for the year

The depreciation charges are removed by the transfer to the Capital Adjustment Account, the transfer is shown in the Movement in Reserves Statement

### **Government Grants**

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 balance sheet
- Portions of government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures

### **Other**

Other includes other minor adjustments that are included to provide a complete analysis of the transactions. They include:

### **Cash and Cash Equivalents**

Under the Code, cash equivalents are given the same status as cash. Cash equivalents are defined as investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

## **Note 1: Transition to International Financial Reporting Standards**

### **Investment Properties**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. This is a much tighter definition than previously applied. Property that no longer qualifies as Investment Property has to be reclassified as Property, Plant and Equipment. Having been reclassified, the assets are liable to revaluation.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- A number of assets have been reclassified in the opening 1 April 2009 balance sheet
- They have been revalued in line with the Council's accounting policies

### **Assets Held for Sale**

The definition for Assets Held for Sale is much more prescriptive than the former definition of Surplus Assets Held for Disposal. Property that does not meet the new definition has to be reclassified and Property, Plant and Equipment. Having been reclassified, the assets are liable to revaluation

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- A number of assets have been reclassified in the opening 1 April 2009 balance sheet.  
They have been revalued in line with the Council's accounting policies. Where no balance exists on the
- Revaluation Reserve and properties are revalued downwards, the adjustment is made to the Capital Adjustment Account

## Note 2: Accounting Standards That Have Been Issued But Have Not Yet Been Adopted

The 2011/12 Code of Practice adopts FRS 30 Heritage Assets, this is detailed in Note 15 to the financial statements. Under FRS 30 the Council will need to account for Heritage Assets held. Heritage Assets are defined as those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. Heritage assets include historical buildings, archaeological sites, military and scientific equipment of historical importance, civic regalia, museum and gallery collections and works of art.

## Note 3: Critical Judgements in Applying Accounting Policies

In applying the accounting policies the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government beyond 2012/2013. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

## Note 4: Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £84,000 for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	These changes would not impact on the Council's revenue budget and the cash cost of services as actual pension rates are determined on an actuarial basis every 3 years. The latest valuation has determined the employers contribution for 3 years from 2011/2012. The Teesside Pension Fund is currently 98% funded.
Equal Pay/ Equal Value Claims	Settlement of claims for equal pay/ equal value are both at a local and national level potentially exposing the Council additional one-off costs.	The Council has established a reserve to help fund this potential liability.

Income Shortfalls	Owing to the current economic downturn the Council continues to face income shortfalls in relation to car park income, shopping centre income and land charges.	The Council has a reserve for 2011/2012 the position will be reviewed as part of the 2012/2013 Medium Term Financial Strategy (MTFS)
-------------------	---	--

**Note 5: Events after the Balance Sheet Date**

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 30th June 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.



**Note 6: Adjustments between Accounting Basis and Funding Basis under Regulations**

2010/11	Usable Reserves					
	General Fund Balance £000s	Earmarked General Fund Reserves £000s	Earmarked Reserves £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves £000s
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<i>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement</i>						
Charges for depreciation and impairment of non-current assets	(23,542)	-	-	-	-	(23,542)
Movements in the market value of investment properties	285	-	-	-	-	285
Capital grants and contributions	15,212	-	-	-	-	15,212
Revenue expenditure funded from capital under statute	(1,348)	-	-	-	-	(1,348)
Amounts of non-current assets written off on disposal or sale as part of the gain/(loss) on disposal to the Comprehensive Income & Expenditure Statement	(25,254)	-	-	-	-	(25,254)
Movement in Donated Assets	9	-	-	-	-	9
<i>Insertion of items debited or credited to the Comprehensive Income &amp; Expenditure Statement</i>						
Statutory provision for the financing of capital investment	4,642	-	-	-	-	4,642
Capital expenditure charged against the General Fund balances						-
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	4,381	-	-	-	(4,381)	-
Capital Grants to Revenue	(18)	-	-	-	18	
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	2,049	2,049
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/(loss) on disposal to the Comprehensive Income & Expenditure Statement	618	-	-	(618)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	1,509	-	1,509
Contribution from the Capital Receipts Reserve towards administrative costs of noncurrent asset disposals	-	-	-	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(2)	-	-	2	-	-
Transfer from deferred Capital receipts Reserve upon receipt of cash						-
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>						
Transfer of deferred sale proceeds credited as part of the gain/(loss) on disposal to the Comprehensive Income & Expenditure Statement	-	-	-	(2)	-	(2)
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-	-	-	-	-	-
<b>Adjustments primarily involving the Unequal Pay Back Pay Account:</b>						
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirement	(273)	-	-	-	-	(273)
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	27,872	-	-	-	-	27,872
<b>Adjustments Primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(167)	-	-	-	-	(167)

**Note 6: Adjustments between Accounting Basis and Funding Basis under Regulations**

2010/11	Usable Reserves					
	General Fund Balance	Earmarked General Fund Reserves	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000s	£000s	£000s	£000s	£000s	£000s
<b>Adjustments primarily involving the Accumulated Absences</b>						
<b>Adjustment Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,162	-	-	-	-	1,162
<b>Total Adjustments</b>	<b>3,577</b>	<b>-</b>	<b>-</b>	<b>891</b>	<b>(2,314)</b>	<b>2,154</b>

**Note 6: Adjustments between Accounting Basis and Funding Basis under Regulations**

2009/10 Comparative figures	Usable Reserves					Movement in Unusable Reserves
	General Fund Balance	Earmarked General Fund Reserves	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	
	£000s	£000s	£000s	£000s	£000s	£000s
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<i>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement</i>						
Charges for depreciation and impairment of non-current assets	(27,186)	-	-	-	-	(27,186)
Movements in the market value of investment properties	(371)	-	-	-	-	(371)
Amortisation of intangible assets	-	-	-	-	-	-
Capital grants and contributions applied	10,008	-	-	-	-	10,008
Revenue expenditure funded from capital under statute	(1,571)	-	-	-	-	(1,571)
Amounts of non-current assets written off on disposal or sale as part of the gain/(loss) on disposal to the Comprehensive Income & Expenditure Statement	(101)	-	-	-	-	(101)
						-
<i>Insertion of items debited or credited to the Comprehensive Income &amp; Expenditure Statement</i>						
Statutory provision for the financing of capital investment	4,153	-	-	-	-	4,153
Capital expenditure charged against the General Fund balances	-	-	-	-	-	-
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	(270)	-	-	-	270	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	73	73
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/(loss) on disposal to the Comprehensive Income & Expenditure Statement	1,164	-	-	(1,156)	-	8
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	1,800	-	1,800
Contribution from the Capital Receipts Reserve towards administrative costs of noncurrent asset disposals	-	-	-	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	2	-	-	(2)	-	-
Transfer from deferred Capital receipts Reserve upon receipt of cash	-	-	-	-	-	-
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>						
Transfer of deferred sale proceeds credited as part of the gain/(loss) on disposal to the Comprehensive Income & Expenditure Statement	-	-	-	-	-	-
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-	-	-	-	-	-
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	(14,504)	-	-	-	-	(14,504)
Employer's pension contributions and direct payments to pensioners payable in year	10,733	-	-	-	-	10,733
<b>Adjustments Primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	201	-	-	-	-	201
<b>Adjustments primarily involving the Accumulated Absences Adjustment Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(271)	-	-	-	-	(271)
<b>Total Adjustments</b>	<b>(18,013)</b>	<b>-</b>	<b>-</b>	<b>642</b>	<b>343</b>	<b>(17,028)</b>

# Note 7: Transfers to/(from) Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2010/11. Further details are provided in Note 29.

	Balance at 1 April 2009 £000s	Transfers Out 2009/10 £000s	Transfers In 2009/10 £000s	Restated Balance at 31 March 2010 £000s	Transfers Out 2010/11 £000s	Transfers In 2010/11 £000s	Balance at 31 March 2011 £000s
<b>Earmarked Reserves</b>							
<b>Capital Reserves:</b>							
Capital Funding Reserve	1,102	(545)	2,476	3,033	(689)	2,225	4,569
Maritime Avenue Remedial Works	81	(47)	3	37	-	1	38
Capital Grants Unapplied	1,005	(686)	343	662	(2,067)	4,381	2,975
Capital Receipts Unapplied	1,533	(642)	-	891	(891)	-	0
	<b>3,721</b>	<b>(1,920)</b>	<b>2,822</b>	<b>4,623</b>	<b>(3,647)</b>	<b>6,607</b>	<b>7,583</b>
<b>Specific Revenue Reserves :</b>							
School Rates	138	(78)	6	66	-	8	74
Other Fund School Balances	114	(41)	26	99	(47)	103	155
Brierton/Dyke House BSF Costs	-	-	300	300	-	-	300
Building Schools for the Future	1,149	(975)	587	761	(808)	442	396
Strategic Change & Ring Fenced Grants Reserves	8,711	(5,667)	7,785	10,829	(4,491)	5,651	11,989
Strategic Risk Reserve	-	(200)	2,510	2,310	(132)	1,074	3,252
Insurance Fund	5,112	(2,938)	1,859	4,033	(1,992)	1,140	3,181
Lotteries Reserve	413	(17)	17	413	(12)	16	417
Museums Acquisition	65	(5)	3	63	-	3	66
Business Transformation	474	(130)	-	344	(91)	8	261
NDC Fund	729	(74)	-	655	(610)	-	45
Business Transformation One off Costs	-	(1,863)	1,863	-	-	-	-
Termination Costs	524	(524)	-	-	-	-	-
Broadband Implementation	24	(24)	-	-	-	-	-
Carbon Reduction Commitment	-	-	-	-	-	196	196
Incinerator Reserve	-	-	-	-	-	600	600
	<b>17,453</b>	<b>(12,536)</b>	<b>14,956</b>	<b>19,873</b>	<b>(8,182)</b>	<b>9,241</b>	<b>20,932</b>
<b>Total Earmarked Reserves</b>	<b>21,174</b>	<b>(14,456)</b>	<b>17,778</b>	<b>24,496</b>	<b>(11,829)</b>	<b>15,848</b>	<b>28,516</b>
<b>General Fund Balances</b>							
Unearmarked General Fund Balance	4,575	(1,113)	-	3,462	-	394	3,856
<b>Earmarked General Fund Balance</b>							
Balances held by schools under a scheme of delegation	3,854	(3,883)	3,572	3,543	(3,560)	4,427	4,410
Strategic Change Reserve	984	(203)	-	781	(49)	-	732
Budget Support Fund	6,653	(4,630)	63	2,086	(1,444)	794	1,436
Energy Saving Fund	14	-	15	29	(28)	-	1
Strategic Procurement Review	50	-	-	50	-	-	50
LPSA Reward	26	(11)	-	15	(15)	18	18
Cabinet Projects	4	-	-	4	-	-	4
<b>Total General Fund Balances</b>	<b>16,160</b>	<b>(9,840)</b>	<b>3,650</b>	<b>9,970</b>	<b>(5,096)</b>	<b>5,633</b>	<b>10,507</b>
<b>Total Reserves</b>	<b>37,334</b>	<b>(24,296)</b>	<b>21,428</b>	<b>34,466</b>	<b>(16,925)</b>	<b>21,481</b>	<b>39,023</b>

# Note 8: Amounts Reported for Segmental Reporting

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year

The income and expenditure of the Authority's directorates recorded in the budget reports for the year is as follows:

Income and Expenditure 2010/11	Child and Adult Services	Chief Executives	Regeneration and Neighbourhoods	Corporate	Total
	£000s	£000s	£000s	£000s	£000s
Fees, charges & other service income	(30,965)	(10,547)	(40,289)	(14,317)	<b>(96,118)</b>
Government grants	(32,009)	(57,715)	(4,854)	(14,446)	<b>(109,024)</b>
<b>Total Income</b>	<b>(62,974)</b>	<b>(68,262)</b>	<b>(45,143)</b>	<b>(28,763)</b>	<b>(205,142)</b>
Employee expenses	54,190	10,119	24,169	3,332	<b>91,810</b>
Other operating expenses	121,738	58,077	37,338	21,321	<b>238,474</b>
Support Service Recharges	10,130	5,811	11,404	407	<b>27,752</b>
<b>Total Expenditure</b>	<b>186,058</b>	<b>74,007</b>	<b>72,911</b>	<b>25,060</b>	<b>358,036</b>
<b>Net Expenditure</b>	<b>123,084</b>	<b>5,745</b>	<b>27,768</b>	<b>(3,703)</b>	<b>152,894</b>

Income and Expenditure 2009/10 Comparative Figures	Child and Adult Services	Chief Executives	Regeneration and Neighbourhoods	Corporate	Total
	£000s	£000s	£000s	£000s	£000s
Fees, charges & other service income	(32,028)	(11,139)	(39,793)	(19,957)	<b>(102,917)</b>
Government grants	(27,251)	(55,026)	(2,924)	(13,106)	<b>(98,307)</b>
<b>Total Income</b>	<b>(59,279)</b>	<b>(66,165)</b>	<b>(42,717)</b>	<b>(33,063)</b>	<b>(201,224)</b>
Employee expenses	55,799	10,415	24,525	5,277	<b>96,016</b>
Other operating expenses	112,239	55,780	35,759	20,132	<b>223,910</b>
Support Service Recharges	11,484	5,848	11,861	204	<b>29,398</b>
<b>Total Expenditure</b>	<b>179,523</b>	<b>72,043</b>	<b>72,145</b>	<b>25,613</b>	<b>349,324</b>
<b>Net Expenditure</b>	<b>120,243</b>	<b>5,878</b>	<b>29,428</b>	<b>(7,449)</b>	<b>148,100</b>

## Reconciliation to Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2009/10 £000s	2010/11 £000s
Net expenditure in the Directorate Analysis	148,100	152,894
Add services not included in main analysis	-	-
Technical accounting adjustments not reported in Management Accounts	28,748	7,064
Corporate amounts not reported in Management Accounts	(148,100)	(152,894)
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	(8,850)	(13,777)
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>19,898</b>	<b>(6,713)</b>

## Note 8: Amounts Reported for Segmental Reporting

### Amounts Reported for Resource Allocation Decisions

#### Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2010/11	Directorate Analysis	Technical accounting adjustments not reported in Management Accounts £000s	Not included in I&E £000s	Net Cost of Services £000s	Corporate Amounts £000s	Total £000s
Fees, charges & other service income	(96,118)	(618)	15,134	(81,602)	-	(81,602)
Income from council tax	-	167	-	167	(39,655)	(39,488)
Government grants and contributions	(109,024)	(19,575)	-	(128,599)	(113,239)	(241,838)
<b>Total Income</b>	<b>(205,142)</b>	<b>(20,026)</b>	<b>15,134</b>	<b>(210,034)</b>	<b>(152,894)</b>	<b>(362,928)</b>
Employee expenses	91,810	(18,119)	(10,642)	63,049	-	63,049
Other operating expenses	238,474	(3,293)	(18,269)	216,912	-	216,912
Support Service recharges	27,752	-	-	27,752	-	27,752
Depreciation, amortisation and impairment	-	23,248	-	23,248	-	23,248
Transfer of Foundation School Assets	-	24,368	-	24,368	-	24,368
Gain or Loss on Disposal of Fixed Assets	-	886	-	886	-	886
<b>Total Expenditure</b>	<b>358,036</b>	<b>27,090</b>	<b>(28,911)</b>	<b>356,215</b>	<b>-</b>	<b>356,215</b>
<b>Surplus or deficit on the provision of services</b>	<b>152,894</b>	<b>7,064</b>	<b>(13,777)</b>	<b>146,181</b>	<b>(152,894)</b>	<b>(6,713)</b>

2009/10 Comparative figures	Directorate Analysis	Technical accounting adjustments not reported in Management Accounts £000s	Not included in I&E £000s	Net Cost of Services £000s	Corporate Amounts £000s	Total £000s
Fees, charges & other service income	(102,917)	(1,166)	22,982	(81,101)	-	(81,101)
Income from council tax	-	(201)	-	(201)	(38,566)	(38,767)
Government grants and contributions	(98,307)	(9,738)	-	(108,045)	(109,534)	(217,579)
<b>Total Income</b>	<b>(201,224)</b>	<b>(11,105)</b>	<b>22,982</b>	<b>(189,347)</b>	<b>(148,100)</b>	<b>(337,447)</b>
Employee expenses	96,016	14,775	(10,733)	100,058	-	100,058
Other service expenses	223,910	(2,580)	(21,099)	200,231	-	200,231
Support Service recharges	29,398	-	-	29,398	-	29,398
Depreciation, amortisation and impairment	-	27,557	-	27,557	-	27,557
Gain or Loss on Disposal of Fixed Assets	-	101	-	101	-	101
<b>Total Expenditure</b>	<b>349,324</b>	<b>39,853</b>	<b>(31,832)</b>	<b>357,345</b>	<b>-</b>	<b>357,345</b>
<b>Surplus or deficit on the provision of services</b>	<b>148,100</b>	<b>28,748</b>	<b>(8,850)</b>	<b>167,998</b>	<b>(148,100)</b>	<b>19,898</b>

## Note 9: Other Operating Expenditure

This note provides a breakdown of the various components included within the Other Operating Expenditure line of the Comprehensive Income and Expenditure Statement.

Restated 2009/10 £000s		2010/11 £000s
112	Parish council precepts	117
6	Payments to the Government Housing Capital Receipts Pool	2
(22)	Receipts from Sale of Former Council Houses	(72)
0	Loss resulting from Foundation Schools Transfer	24,368
(323)	(Gain) or loss on the disposal of non-current assets	273
<u>(227)</u>		<u><b>24,688</b></u>

## Note 10: Financing and Investment Income and Expenditure

This note provides a breakdown of the various components included within the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.

Restated 2009/10 £000s		2010/11 £000s	Note
2,116	Interest payable and similar charges on borrowing	2,046	
227	Finance lease Interest payable	191	
4,413	Pensions Interest Cost & Expected Return on Pensions Assets	2,518	46
(1,185)	Interest Receivable and Similar Income	(503)	
(112)	Net (Gain) / Loss on Investment Properties	(175)	16
374	Changes in fair values of investment properties	(285)	
(891)	Other Investment Income	(735)	
<u>4,942</u>		<u><b>3,057</b></u>	

## Note 11: Taxation and Non-Specific Grant Income

Taxation and Non-Specific Grant Income comprises of the following :

Restated 2009/10 £000s		2010/11 £000s	Note
38,766	Council Tax income	39,488	
40,489	NNDR distribution	44,989	
21,683	Non-ringfenced government grants	21,030	
9,737	Capital grants and contributions	19,593	
<u>110,675</u>		<u><b>125,100</b></u>	28

## Note 12: Members' Allowances

Details of the amounts paid to each Member of the Council are published annually. The total amount paid to Members in respect of basic, special responsibility and travel and subsistence allowances was £442,533.05 (2009/10: £443,238.32). An analysis of the allowance payments is detailed below.

Member	Basic Allowance	Special Responsibility Allowance	General Travel	General Subsistence	Conference Travel	Conference Fees	Conference Subsistence	Telephone Expenses	Chair/Vice of Chair of Council Allowance	Total 2010/11
	£	£	£	£	£	£	£	£	£	£
Aiken M	5,766.84	-	58.21	-	-	-	-	-	2,428.86	8,253.91
Akers-Belcher C	5,766.84	157.85	-	-	79.78	1,050.00	340.00	-	-	7,394.47
Akers-Belcher S J	5,766.84	3,461.16	-	-	79.78	1,400.00	485.00	-	-	11,192.78
Allison S	620.09	-	-	-	-	-	-	-	-	620.09
Atkinson R	5,766.84	179.77	56.92	-	-	-	-	71.94	-	6,075.47
Barclay A	5,146.86	-	-	-	-	-	-	-	-	5,146.86
Barker C	5,766.84	-	167.51	-	-	-	-	-	-	5,934.35
Brash J	5,766.84	5,766.96	-	-	-	-	-	-	-	11,533.80
Cook R W	5,766.84	5,766.96	-	-	-	-	-	-	-	11,533.80
Cook S	620.09	-	-	-	-	-	-	-	-	620.09
Coward W J	620.09	-	57.64	-	-	-	-	33.00	-	710.73
Cranney K H	5,766.84	3,461.16	-	-	-	-	-	-	-	9,228.00
Drummond S	5,766.84	58,394.63	-	-	-	-	-	-	-	64,161.47
Fenwick S	620.09	-	-	-	-	-	-	-	-	620.09
Fleet M	5,766.84	3,461.16	-	-	-	-	-	-	-	9,228.00
Fleming T	5,766.84	-	-	-	-	-	-	-	-	5,766.84
Flintoff R	5,766.84	-	-	-	-	-	-	127.93	-	5,894.77
Gibbon S	5,766.84	-	-	-	-	-	-	-	-	5,766.84
Griffin S	5,766.84	-	-	-	-	-	-	-	-	5,766.84
Hall G G	5,766.84	5,766.96	-	-	-	-	-	-	-	11,533.80
Hargreaves P	5,766.84	5,766.96	-	-	-	-	-	225.18	-	11,758.98
Hill C F	5,766.84	5,766.96	-	-	53.58	-	-	-	-	11,587.38
Ingham P	5,146.86	-	-	-	-	-	-	-	-	5,146.86
Jackson P	5,766.84	3,364.06	-	-	-	-	-	-	-	9,130.90
James M A	5,766.84	5,766.96	-	-	-	-	-	-	-	11,533.80
Laffey P	5,766.84	-	-	-	-	-	-	-	164.75	5,931.59
Lauderdale J	5,766.84	-	-	-	-	-	-	-	-	5,766.84
Lawton T	5,146.86	-	-	-	-	-	-	-	-	5,146.86
Lilley A E	5,766.84	446.71	-	-	-	-	-	-	-	6,213.55
Lilley G	5,766.84	-	438.24	-	-	-	-	242.64	-	6,447.72
London F	5,766.84	973.20	-	-	-	-	-	-	-	6,740.04
Maness S	5,146.86	-	-	-	-	-	-	-	-	5,146.86
Marshall A	5,766.84	3,461.16	-	-	-	-	-	-	-	9,228.00
Marshall J	5,766.84	-	-	-	-	-	-	-	-	5,766.84
Marshall J W	5,146.86	-	-	-	-	-	-	-	-	5,146.86
McKenna C J	5,766.84	-	-	-	-	-	-	-	-	5,766.84
Morris G	5,766.84	3,461.04	-	-	-	-	-	-	-	9,227.88
Payne R W	5,766.84	5,766.96	-	-	-	-	-	-	-	11,533.80
Plant M	5,766.84	-	-	-	-	-	-	164.15	-	5,930.99
Preece A	5,766.84	3,461.16	309.77	-	-	-	-	151.08	-	9,688.85
Richardson C	5,766.84	4,614.00	-	-	-	-	-	-	10,575.63	20,956.47
Rogan T	5,766.84	539.74	65.94	-	-	-	-	-	-	6,372.52
Shaw J E	5,766.84	3,461.16	119.40	-	-	350.00	110.00	96.17	-	9,903.57
Simmons C	5,766.84	4,174.01	-	-	-	-	-	-	-	9,940.85
Sutheran L M	5,766.84	-	-	-	-	-	-	-	-	5,766.84
Thomas S	5,146.86	2,921.42	-	-	-	-	-	-	-	8,068.28
Thompson H	5,766.84	5,022.96	-	-	-	-	-	-	-	10,789.80
Thompson P	5,146.86	-	-	-	-	-	-	-	-	5,146.86
Tumilty V	620.09	620.10	-	-	-	-	-	-	-	1,240.19
Turner M W	5,766.84	-	-	-	-	-	-	-	-	5,766.84
Wallace S D	620.09	-	-	-	-	-	-	-	-	620.09
Wells R	5,146.86	-	-	-	-	-	-	-	-	5,146.86
Wistow G	620.09	-	-	-	-	-	-	-	-	620.09
Worthy G	5,766.84	-	-	-	-	-	-	144.63	-	5,911.47
Wright E	5,766.84	-	-	-	-	-	-	70.95	-	5,837.79
Yound D R	620.09	-	-	-	-	-	-	-	-	620.09
<b>Totals 2010/2011</b>	<b>276,809.20</b>	<b>146,005.17</b>	<b>1,273.63</b>	<b>-</b>	<b>213.14</b>	<b>2,800.00</b>	<b>935.00</b>	<b>1,327.67</b>	<b>13,169.24</b>	<b>442,533.05</b>
<b>Totals for 2009/10</b>	<b>274,828.59</b>	<b>147,312.30</b>	<b>1,877.52</b>	<b>-</b>	<b>1,449.63</b>	<b>2,385.00</b>	<b>889.00</b>	<b>1,607.16</b>	<b>12,889.12</b>	<b>443,238.32</b>



**Note 12: Members' Allowances**

The following Councillors were the Council's appointed representatives on Cleveland Fire Authority or Cleveland Police Authority and received a separate allowance for this additional responsibility which was funded from the Fire or Police Authorities budgets, as detailed below. Unless indicated these appointments were for the period 1st April 2010 to 31st March 2011. Further details of these allowances can be obtained from the Fire or Police Authorities.

Councillor	Cleveland Fire Authority				Period of Office
	Basic	Special	Travel	Total	
	Allowances	Responsibility	Allowances		
	£	£	Subsistence		
	£	£	£	£	
Akers-Belcher S J	1,810.02	-	-	<b>1,810.02</b>	04/06/10-31/03/11
Atkinson R	1,810.02	-	71.50	<b>1,881.52</b>	04/06/10-31/03/11
Brash J	383.94	-	-	<b>383.94</b>	01/04/10-04/06/11
Flintoff R	2,193.96	-	-	<b>2,193.96</b>	01/04/10-31/03/11
Lilley A E	383.94	-	24.05	<b>407.99</b>	01/04/10-04/06/11
Payne R	2,193.96	3,620.13	190.80	<b>6,004.89</b>	01/04/10-31/03/11

Councillor	Cleveland Police Authority				Period of Office
	Basic and Special Responsibility Allowances	Travel Allowances	Subsistence	Total	
	£	£	£	£	
Barker C	9,308.04	506.04	325.97	<b>10,140.05</b>	01/04/10-31/03/11
Drummond S	6,705.79	146.38	-	<b>6,852.17</b>	09/07/10-31/03/11
Richardson C	6,705.79	-	-	<b>6,705.79</b>	09/07/10-31/03/11

# **Note 13 - Officer's Remuneration**

In accordance with the requirements of the Accounts and Audit Regulations 2011 the Council is required to disclose details of remuneration for Senior Employees and those earning more than £50,000. Senior Employees are defined as the Chief Executive, statutory Chief Officers and all other senior managers reporting directly to the Chief Executive. Details of the remuneration for these officers are provided below.

## **Senior Officers with a salary of £150,000 or more per year.**

The Council had one senior officer with a salary of £150,000 or more per year and that is the Chief Executive – Paul Walker.

The Chief Executive is the senior officer who leads and takes responsibility for the work of the 3,100 paid staff of the Council and runs the Local Authority on a day to day basis. The role of Chief Executive is a full time appointment.

Post holders are selected on merit, against objective criteria, following public advertisement. They are appointed by the whole Council.

As Head of Paid Service, the Chief Executive works closely with elected Councillors to deliver the following:

Leadership: working with elected Councillors to ensure strong and visible leadership and direction, encouraging and enabling managers to motivate and inspire their teams.

Strategic Direction: ensuring all staff understand and adhere to the strategic aims of the organisation and follow the direction set by the elected Councillors.

Policy Advice: acting as the principal policy adviser to the elected Members of the Council to lead the development of workable strategies which will deliver the political objectives set by Councillors.

Partnerships: leading and developing strong partnerships across the local community to achieve improved outcomes and better public services for local people.

Operational Management: overseeing financial and performance management, risk management, people management and change management within the Council.

Details of the Chief Executive's Remuneration are shown in the following tables:-

**2010/2011 - TABLE A**

Post holder information (Post title and name)	Salary	Expense Allowances	Car Allowance	Total Remuneration excluding Pension Contributions 2010/11 £	Pension Contributions (Note 6) £	Total Remuneration including Pension Contributions 2010/11 £	Note
<b>Chief Executive</b> Paul Walker	168,795	-	963	<b>169,758</b>	27,176	<b>196,934</b>	a

**2009/2010 - TABLE B**

Post holder information (Post title and name)	Salary	Expense Allowances	Car Allowance	Total Remuneration excluding Pension Contributions 2009/10 £	Pension Contributions (Note 6) £	Total Remuneration including Pension Contributions 2009/10 £	
<b>Chief Executive</b> Paul Walker	157,205	144	906	<b>158,255</b>	25,310	<b>183,565</b>	a

Note a - In accordance with the Chief Executive's contract of employment a pay review was finalised during 2010/11 which determined the pay scale with effect from 1st April 2009 of £158,000 to £168,000 (previously £142,914 to £157,205). The Chief Executive commenced at the bottom of this salary scale, backdated to 1st April 2009, and in accordance with the agreed progression through the incremental points on the scale moved to £163,000 with effect from 1st October 2009 and £168,000 with effect from 1st October 2010. The salary received during 2010/11 as shown in Table A above therefore consists of 6 months pay at £163,000 pa, 6 months pay at £168,000 pa and £3,295 of pay arrears relating to 2009/10.

# Note 13 - Officer's Remuneration

## Senior Officers reporting directly to the Chief Executive

During 2010/2011 financial year there were six officers, including two departmental Directors, reporting directly to the Chief Executive and remuneration details for these posts are shown below.

During 2009/2010 the Council undertook a corporate restructure and reduced the number of departments from five to three. This resulted in the number of Director posts reducing from four to two. The on-going cost savings as a result of reducing the number of Directors are £0.220m per annum. The Directors posts are:

Director of Child and Adult - responsible for a gross annual revenue budget (excluding schools) of £88m and managing 1,500 employees who provide a diverse range of services, education and early years related services, services for vulnerable children and families including looking after children at risk, child and adult protection services, young offenders, children's fostering and adoption services, caring for older people, people with mental health issues, people with physical disabilities or learning disabilities, libraries, sports, culture and leisure services.

Director of Regeneration and Neighbourhoods - responsible for a gross annual revenue budget of £54m and managing 1,200 employees who provide a diverse range of services, including planning and building control, economic development and regeneration, community safety, refuse collection, street cleansing, highways maintenance and car parks.

## 2010/2011 - TABLE C

Post Holder Information (Post Title)	Salary	Car Allowance	Compensation for Loss of Office	Total Remuneration excluding Pension Contributions 2010/11 £	Pension Contributions (Note g) £	Total Remuneration including pension contributions 2010/11 £	Note
	£	£	£				
Director of Child & Adult	122,917	963	-	<b>123,880</b>	19,790	<b>143,670</b>	<i>b</i>
Director of Regeneration & Neighbourhoods	122,917	963	-	<b>123,880</b>	19,790	<b>143,670</b>	<i>b</i>
Chief Finance Officer	69,408	963	-	<b>70,371</b>	11,175	<b>81,546</b>	<i>c</i>
Chief Solicitor	86,524	963	-	<b>87,487</b>	12,733	<b>100,220</b>	<i>d</i>
Assistant Chief Executive	81,062	963	-	<b>82,025</b>	13,051	<b>95,076</b>	<i>e</i>
Chief Customer & Workforce Services Officer	79,486	963	-	<b>80,449</b>	12,797	<b>93,246</b>	<i>f</i>
	<b>562,314</b>	<b>5,778</b>	-	<b>568,092</b>	<b>89,336</b>	<b>657,428</b>	

# Note 13 - Officer's Remuneration

## 2009/2010 - TABLE D

Post Holder Information (Post Title)	Salary	Car Allowance	Compensation for Loss of Office	Total Remuneration excluding Pension Contributions 2009/10 £	Pension Contributions (Note g) £	Total Remuneration including pension contributions 2009/10 £	Note
	£	£	£	£	£	£	
Director of Child & Adult	70,000	378	-	<b>70,378</b>	11,270	<b>81,648</b>	b
Director of Adult & Community Services	47,965	528	-	<b>48,493</b>	7,722	<b>56,215</b>	b
	<b>117,965</b>	<b>906</b>	<b>-</b>	<b>118,871</b>	<b>18,992</b>	<b>137,863</b>	
Director of Regeneration & Neighbourhoods	70,000	378	-	<b>70,378</b>	11,270	<b>81,648</b>	b
Director of Neighbourhood Services	41,528	528	-	<b>42,056</b>	6,686	<b>48,742</b>	b
	<b>111,528</b>	<b>906</b>	<b>-</b>	<b>112,434</b>	<b>17,956</b>	<b>130,390</b>	
Director of Children's Services	46,051	378	42,442	<b>88,871</b>	7,414	<b>96,285</b>	b
Director of Regeneration & Planning	79,684	680	58,075	<b>138,439</b>	12,829	<b>151,268</b>	b
Chief Financial Officer	83,813	899	40,513	<b>125,225</b>	13,494	<b>138,719</b>	c
Chief Finance Officer	533	-	-	<b>533</b>	86	<b>619</b>	c
Chief Solicitor	84,514	906	-	<b>85,420</b>	12,367	<b>97,787</b>	d
Assistant Chief Executive	81,062	906	-	<b>81,968</b>	13,051	<b>95,019</b>	e
Chief Personnel Officer	44,134	529	-	<b>44,663</b>	7,106	<b>51,769</b>	f
Chief Customer & Workforce Services Officer	32,650	377	-	<b>33,027</b>	5,256	<b>38,283</b>	f
	<b>681,934</b>	<b>6,487</b>	<b>141,030</b>	<b>829,451</b>	<b>108,551</b>	<b>938,002</b>	

## Notes

(b) As detailed in the 2009/10 Statement of Accounts the corporate restructure undertaken during 2009/10 resulted in the number of Directors reducing from four to two. The posts of Director of Children's Services and Director of Adult & Community Services were replaced by the Director of Child and Adult Services and the Director of Neighbourhood Services and the Director of Regeneration and Planning posts were replaced by the Director of Regeneration and Neighbourhoods.

The salary scale for the Director of Child & Adult Services and the Director of Regeneration & Neighbourhoods for 2010/11 was £120,000 to £130,000 (£120,000 to £130,000 in 2009/2010). Both Directors were appointed on 1st September 2009 therefore they were paid an increment on the anniversary of this appointment. The annualised salary for both posts for 2010/11 was £125,000 (£120,000 in 2009/10).

(c) The Chief Financial Officer post was deleted from 28th March, 2010 and a new post of Chief Finance Officer was created on 29th March 2010. The 2010/2011 Chief Finance Officer's salary includes a payment of £3,432 (£3,404 for 2009/2010) in respect of this post holder also acting as Deputy Treasurer to Cleveland Fire Authority. This cost is paid for by the Fire Authority. The annualised salary for this post, excluding payments paid by the Fire Authority, for 2010/2011 was £67,552 (£64,850 for 2009/2010). The salary scale for this post for 2010/2011 was £64,850 to £75,658 which has remained unchanged since 1st April 2008.

(d) The Chief Solicitor's salary includes a payment of £3,432 (£3,856 for 2009/2010) in respect of this post holder also acting as Legal Officer to Cleveland Fire Authority. This cost is paid for by the Fire Authority. The salary also includes payment of £7,434 (£7,702 in 2009/2010) representing payment as the Council's Returning Officer. The annualised salary for this post, excluding payments paid by the Fire Authority and in respect of the Returning Officer, for 2010/2011 was £75,658 (£72,956 for 2009/2010). The salary scale for this post for 2010/2011 was £70,254 to £81,062 which has remained unchanged since 1st April 2008.

(e) The annualised salary for the Assistant Chief Executive post for 2010/2011 was £81,062 (£81,062 for 2009/2010). The salary scale for this post for 2010/2011 was £70,254 to £81,062 which has remained unchanged since 1st April 2008.

**Note 13 - Officer's Remuneration**

(f) The Chief Personnel Officer post was deleted from 31st October, 2009 and the post holder was appointed to the new post of Chief Customer Services and Workforce Officer. The new post incorporated additional responsibilities, including the transfer of an additional 135 posts which were previously the responsibility of the Chief Financial Officer. The annualised salary for this post for 2010/2011 was £81,062 (£78,360 for 2009/10). The salary scale was £70,254 to £81,062 which has remained unchanged since 1st April 2008.

(g) The pension contributions included in the Remuneration Disclosure Tables above only relate to the Council's contribution to the pension scheme. In addition, the employee contributes 7.5% of their salary to the scheme.

**Note 13 - Officer's Remuneration****Employees with a salary of £50,000 or more**

In accordance with the Accounts and Audit Regulations 2010, the number of employees including school employees employed by the Council whose remuneration was £50,000 or greater is detailed in the table below in bands of £5,000. This table excludes details of senior officers set out in the tables above. The bandings have been used since 2002/2003 and are not indexed and therefore do not make any adjustment for inflationary increases each year. If the starting banding had been indexed for cost of living increases for local authority employees then it would be £60,000.

'Remuneration' is measured as gross pay (before deduction of employees' pension contributions), plus compensation for loss of office and any other payments receivable on the termination of employment in line with guidance.

Table E below shows how the number of employees (excluding schools) earning above £50,000 has reduced by 8 posts since 2009/10. The on-going savings have been built into the 2011/12 budget and have been achieved following the corporate restructure referred to earlier which resulted from a fundamental review of the responsibilities of all posts to reflect efficiencies arising from reducing the number of departments and changing the roles and responsibilities of existing posts.

**TABLE E - NON-SCHOOLS EMPLOYEES**

2009/10 No. of Non-School Employees			Remuneration Band (£)	2010/11 No. of Non-School Employees		
<i>Non School</i>	<i>Left in Year</i>	<i>Total</i>		<i>Non School</i>	<i>Left in Year</i>	<i>Total</i>
12	6	18	50,000 to 54,999	11	3	14
7	3	10	55,000 to 59,999	5	1	6
2	7	9	60,000 to 64,999	3	1	4
3	4	7	65,000 to 69,999	2	1	3
6	1	7	70,000 to 74,999	3	2	5
5	1	6	75,000 to 79,999	2	3	5
1	-	1	80,000 to 84,999	1	-	1
-	1	1	85,000 to 89,999	1	-	1
-	-	-	90,000 to 94,999	-	-	-
-	2	2	95,000 to 99,999	-	-	-
-	-	-	100,000 to 104,999	-	-	-
-	-	-	105,000 to 109,999	-	2	2
-	1	1	110,000 to 114,999	-	-	-
36	26	62		28	13	41

**TABLE F - SCHOOL EMPLOYEES**

2009/10 No. of School Employees			Remuneration Band (£)	2010/11 No. of School Employees		
<i>School</i>	<i>Left in Year</i>	<i>Total</i>		<i>School</i>	<i>Left in Year</i>	<i>Total</i>
9	3	12	50,000 to 54,999	8	-	8
3	-	3	55,000 to 59,999	8	-	8
5	-	5	60,000 to 64,999	5	-	5
2	-	2	65,000 to 69,999	2	-	2
-	-	-	70,000 to 74,999	-	-	-
-	1	1	75,000 to 79,999	-	-	-
-	-	-	80,000 to 84,999	-	-	-
1	-	1	85,000 to 89,999	-	-	-
1	-	1	90,000 to 94,999	1	-	1
-	-	-	95,000 to 99,999	-	-	-
-	-	-	100,000 to 104,999	-	-	-
-	-	-	105,000 to 109,999	-	-	-
-	-	-	110,000 to 114,999	-	-	-
-	-	-	115,000 to 120,000	-	-	-
-	1	1	120,000 to 124,999	-	-	-
21	5	26		24	-	24

The remuneration for school employees is determined by each individual Governing Body in accordance with national pay guidelines and, as per the guidance, Foundation and Voluntary Aided school employees are excluded from the Table as the Governing Body and not the Council are the employer.

**Note 14: Termination Benefits**

As part of the on-going Business Transformation Programme and in response to cuts in Government grants in 2010/11 and 2011/12 the Council has had to make significant reductions in ongoing expenditure. The Council has mitigated the impact on staff by managing vacancies and redeploying staff where possible. However, as staff costs make up the largest single element of the Council's budget it has not been possible to avoid reductions in staffing levels. Therefore, in 2010/11 a total of 135 employees (68 employees in 2009/10) either took voluntary redundancy or were made compulsorily redundant. The 2010/11 costs of this involved payments of £1.3m (£1.0m in 2009/10) to employees in the form of redundancy payments and £1.2m (£3.3m in 2009/10) to the pension fund in respect of retirement benefits.

The pay-back period (ie. the amount of time it takes for the on-going savings achieved to 'pay-back' the costs of one-off redundancy and payments to the pension fund) for 2010/11 costs was 0.6 years (1.5 years in 2009/10).

The Council calculates redundancy pay based on the actual salary paid to individual employees, with a maximum redundancy payment not exceeding 30 weeks pay with no enhancements. We understand that the Council's redundancy payments are lower than all other North East Councils who either pay more than 30 weeks pay, or make enhanced payments.

The Officers Remuneration Note (Note 13) includes details of 13 employees who received a combined salary and redundancy payment of £50,000 or above.

## Note 15: Non Current Assets - Property, Plant & Equipment

This note shows the movements in the value of non current assets (Property, Plant and Equipment) during 2010/2011 and the 2009/2010 movement restated under IFRS.

### Movements in 2010/11

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	PP&E Under Construction	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Cost or Valuation</b>								
At 1 April 2010	116	211,807	15,614	90,328	17,317	583	5,358	<b>341,123</b>
Additions	-	1,165	2,602	1,900	-	1,773	19,901	<b>27,341</b>
Donations	-	-	9	-	-	-	-	<b>9</b>
Revaluation Increases/(decreases) recognised in the Revaluation	-	2,544	-	-	-	15	-	<b>2,559</b>
Derecognition-Disposals	-	(24,475)	(515)	-	-	(10)	-	<b>(25,000)</b>
Reclassified to/from Held for Sale	-	(25)	-	-	-	(27)	(308)	<b>(360)</b>
Other Reclassifications	7,981	3,377	800	1,849	-	703	(14,710)	<b>-</b>
<b>At 31 March 2011</b>	<b>8,097</b>	<b>194,393</b>	<b>18,510</b>	<b>94,077</b>	<b>17,317</b>	<b>3,037</b>	<b>10,241</b>	<b>345,672</b>

### Accumulated Depreciation and Impairment

At 1 April 2010	(5)	(27,837)	(7,751)	(28,192)	(117)	(122)	-	<b>(64,024)</b>
Depreciation Charge	(2)	(2,811)	(2,066)	(4,604)	-	-	-	<b>(9,483)</b>
Depreciation written out to the Revaluation Reserve	-	(449)	-	-	-	-	-	<b>(449)</b>
Impairment losses/reversals recognised in the Revaluation Reserve	-	(4,034)	-	-	-	-	-	<b>(4,034)</b>
Impairment losses/reversals recognised in the Surplus/Deficit on provision of services	(3,656)	(8,607)	(11)	-	-	(1,445)	-	<b>(13,719)</b>
<b>At 31 March 2011</b>	<b>(3,663)</b>	<b>(43,738)</b>	<b>(9,828)</b>	<b>(32,796)</b>	<b>(117)</b>	<b>(1,567)</b>	<b>-</b>	<b>(91,709)</b>

### Net Book Value

At 31 March 2011	4,434	150,655	8,682	61,281	17,200	1,470	10,241	<b>253,963</b>
At 31 March 2010	111	183,970	7,863	62,136	17,200	461	5,358	<b>277,099</b>

### Nature of Asset Holding

Owned	4,434	150,655	8,302	61,281	17,200	1,470	10,241	253,583
Finance Lease	-	-	380	-	-	-	-	380
<b>Total</b>	<b>4,434</b>	<b>150,655</b>	<b>8,682</b>	<b>61,281</b>	<b>17,200</b>	<b>1,470</b>	<b>10,241</b>	<b>253,963</b>



## Note 15: Non Current Assets - Property, Plant & Equipment

### Restated Movements in 2009/10

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	PP&E Under Construction	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Cost or Valuation</b>								
At 1 April 2009	116	191,612	12,660	88,655	17,226	149	6,896	<b>317,314</b>
Additions	-	2,168	2,807	1,670	193	4,454	6,389	<b>17,681</b>
recognised in the Revaluation Reserve	-	11,906	-	-	-	-	-	<b>11,906</b>
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on provision of services	-	-	-	-	-	(4,020)	-	<b>(4,020)</b>
Derecognition-Disposals	-	(430)	-	-	-	-	-	<b>(430)</b>
Other Reclassifications	-	6,551	147	3	(102)	-	(7,927)	<b>(1,328)</b>
<b>At 31 March 2010</b>	<b>116</b>	<b>211,807</b>	<b>15,614</b>	<b>90,328</b>	<b>17,317</b>	<b>583</b>	<b>5,358</b>	<b>341,123</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2009	(3)	(7,651)	(5,692)	(25,645)	-	-	-	<b>(38,991)</b>
Depreciation Charge	(2)	(3,407)	(2,059)	(2,544)	-	(8)	-	<b>(8,020)</b>
Depreciation written out to the Revaluation Reserve	-	(645)	-	-	-	-	-	<b>(645)</b>
recognised in the Revaluation Reserve	-	(13,407)	-	-	-	-	-	<b>(13,407)</b>
Impairment losses/reversals recognised in the Surplus/Deficit on provision of services	-	(2,727)	-	(3)	(117)	(114)	-	<b>(2,961)</b>
<b>At 31 March 2010</b>	<b>(5)</b>	<b>(27,837)</b>	<b>(7,751)</b>	<b>(28,192)</b>	<b>(117)</b>	<b>(122)</b>	<b>-</b>	<b>(64,024)</b>
<b>Net Book Value</b>								
At 31 March 2010	111	183,970	7,863	62,136	17,200	461	5,358	<b>277,099</b>
At 31 March 2009	113	183,961	6,968	63,010	17,226	149	6,896	<b>278,323</b>
<b>Nature of Asset Holding</b>								
Owned	111	183,970	7,409	62,136	17,200	461	5,358	<b>276,645</b>
Finance Lease	-	-	454	-	-	-	-	<b>454</b>
<b>Total</b>	<b>111</b>	<b>183,970</b>	<b>7,863</b>	<b>62,136</b>	<b>17,200</b>	<b>461</b>	<b>5,358</b>	<b>277,099</b>

### Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Council Dwellings - 40 years
- Other Land and Buildings - straight-line allocation over the useful life of the property as estimated by the valuer, between 25 and 40 years
- Vehicles, Plant, Furniture & Equipment - straight-line allocation over the useful life of the asset, up to 15 years.
- Infrastructure - between 15 and 100 years

### Changes in Estimating Techniques & Accounting Estimates

Infrastructure asset useful lives were reassessed during the year which resulted in an additional charge for depreciation relating to 2009/2010 of £1.650m. This has been reflected in the 2010/2011 accounts. Actual depreciation charges relating the 2010/2011 total £2.954m.

## Note 15: Non Current Assets - Property, Plant & Equipment

### Capital Commitments

At 31 March 2011, the Council's total approved Capital Expenditure Commitments amounted to £32.808m, of which £30.340m will be funded from specific resources (grant and specific borrowing allocations) receivable by the Council. The remaining commitments will be funded from the Council's own resources. Comparable commitments at 31 March 2010 were £23.248m.

The major commitments are:

<b>Scheme</b>	<b>Budget £000s</b>	<b>Spend to date £000s</b>	<b>Commitment £000s</b>
Primary Capital Programme - Rossmere School Remodelling	1,393	675	718
Primary Capital Programme - Jesmond School New Build	7,151	4,780	2,371
Building Schools for the Future Dyke House School Remodelling	9,305	3,812	5,493
Building Schools for the Future ICT Programme	2,027	-	2,027
North Central Hartlepool Housing Regeneration	14,837	13,196	1,641

### Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally and valuations are based on certificates issued by the Council's Estates Manager, Mr D Clarke, a member of the Royal Institute of Chartered Surveyors. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on depreciated historic cost.

The significant assumptions applied in estimating the fair values unless otherwise noted in the valuation reports are:

- . Properties are in good condition and repair.
- . Properties are freehold and with vacant possession.
- . Properties will continue to be used by the Council into the foreseeable future.
- . Properties do not contravene planning and other statutory matters.

The Council owns a historical boat called the Wingfield Castle, moored behind the Hartlepool Maritime Experience. The ship has been valued by LGSA Marine International Marine Surveyors and Consultants in March 2009. The value is currently held at £1.010m on the asset register.

The following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets, excluding Community Assets (£17.200m), Infrastructure Assets (£61.281m) and Property, Plant and Equipment under construction (£10.242m). The basis for the valuation is set out in the statement of accounting policies.

**Note 15: Non Current Assets - Property, Plant & Equipment**

	Operational Assets				
	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Surplus Assets	Total
	£000s	£000s	£000s	£000s	£000s
<b>Valued at Historical Cost</b>	-	1,743	8,682	-	10,425
<b>Valued at fair value as at:</b>					
<u>Current Year</u>					
2010/2011	4,325	57,438	-	787	62,550
2009/2010	34	40,407	-	-	40,441
2008/2009	75	48,646	-	683	49,404
2007/2008	-	2,421	-	-	2,421
2006/2007	-	-	-	-	-
<b>Total</b>	<b>4,434</b>	<b>150,655</b>	<b>8,682</b>	<b>1,470</b>	<b>165,241</b>

**Adoption of FRS 30 Heritage Assets for 2011/2012**

As at the 31st March 2011 the Council's heritage assets have a book value of £8.767m, these are recorded under community assets within property, plant and equipment on the balance sheet. This includes items such as Civic Regalia, Library Collections and Museum Exhibits.

As part of the adoption of FRS 30 during 2011/2012 these assets will be recognised as heritage assets and their values assessed using the latest external insurance valuation as a proxy for market value.

**Custodian Authority Assets**

The Balance Sheet excludes assets held by the Council in its capacity as Custodian Authority. These assets were valued at £0.015m as at 31 March 2010. The interest on these assets were passed to the Council following the abolition of Cleveland County Council on 1 April 1996. These assets are held on behalf of the four unitary authorities pending their disposal. The sale proceeds will be distributed to the four unitary authorities in accordance with an agreed basis.

## Note 16: Non Current Assets - Investment Property

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

2009/10 £000s		2010/11 £000s
(252)	Rental income from investment property	(272)
140	Direct operating expenses arising from investment property	97
<u>(112)</u>	<b>Net gain/(loss)</b>	<u>(175)</u>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal.

The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

Restated 2009/10 £000s		2010/11 £000s
14,876	Balance at the start of the year	14,976
	<u>Additions:</u>	
-	Subsequent expenditure	27
(17)	Disposals	(4)
(371)	Net gains/(losses) from fair value adjustments	286
	<u>Transfers</u>	
-	To/from inventories	-
488	To/from Property, Plant & Equipment	-
-	Other changes	-
<u>14,976</u>	<b>Balance at the end of the year</b>	<u>15,285</u>

**Note 17: Impairment Losses**

During 2010/2011, the Council has recognised impairment losses totalling £13.848m in the Comprehensive Income and Expenditure Statement (compared to £2.961m in 2009/2010). The significant impairments are detailed below.

A total of £3.656m relates to Council Dwellings at Golden Meadows, Gladsworthy Close and Empire Square. These properties were built for social housing and have been valued at fair use existing value. This is less than the cost to build the properties and an impairment has recognised.

A further £1.444m impairment relates to houses that have been acquired for the purposes of demolition as part of the Council's Housing Market Renewal Programme. As the cost of acquisition and demolition exceeds the value of the land an impairment has been recognised.

Impairments of £8.607m have been made against operational assets. These impairments recognise the consumption of a number of assets to date at a level greater than depreciation. In particular a £4.162m impairment relates to the former Brierton School site resulting from a large economic obsolescence allowance being applied during the valuation owing to the condition of the school buildings.

## Note 18: Long Term Investments

This note details the carrying values of the Council's investments.

2009/10 £000s		2010/11 £000s
407	Durham and Tees Valley Airport Limited	221
197	SITA Tees Valley Limited	197
604		<b>418</b>

Further details of the Council's long term investments are included in Note 31 'Related Party Transactions'.

## Note 19: Long Term Debtors

This note sets out the value of Long Term Debtors held by the Council at the 31st March 2011.

2009/10 £000s		2010/11 £000s
18	Housing Advances	16
77	Trincomalee Loan and Advances	77
149	Car Loans to Employees	166
244		<b>259</b>

## Note 20: Inventories

This note sets out the value of inventories held by the Council at the 31st March 2011.

2009/10 £000s		2010/11 £000s
656	Balance at 1 April	756
2,508	Purchases	2,590
(2,368)	Recognised as an expense in year	(2,528)
(40)	Written off balances	(40)
756	<b>Balance at 31 March</b>	<b>778</b>

## Note 21: Debtors

This note sets out amounts owed to the Council as at the 31st March 2011.

Restated 1 April 2009 £000s	Restated 2009/10 £000s		2010/11		
			Gross Debtor £000s	Impairment of Bad Debts £000s	Net Debtor £000s
1,343	1,559	Council Tax Payers	2,897	2,118	779
2,094	4,365	General and Other Debtors	5,527	1,143	4,384
1,420	1,419	HM Revenue and Customs	1,700	-	1,700
12,655	3,695	Government Departments	5,963	-	5,963
449	660	Other Local Authorities	1,681	-	1,681
925	2,997	Payments in Advance	1,035	-	1,035
2,031	2,533	Trade Debtors	2,786	527	2,259
20,917	17,228		<b>21,589</b>	<b>3,788</b>	<b>17,801</b>

## Note 22: Landfill Allowances Trading Scheme

The Waste and Emissions and Trading Act 2003, provides a legal framework for the Landfill Allowance Trading Scheme (LATS). Under the scheme, tradable landfill allowances are allocated on an annual basis to all English waste disposal authorities for the sixteen financial years from 2005/2006 to 2020/2021. For the year 2010/2011 the Council received a LATS allocation of 17,342 units. These were valued at £12.50 as per unit as per the national average value for the year, giving an initial recognition value of £0.217m. The Council has an agreement with Merseyside Waste Authority to sell its surplus LATS and received £0.222m during the year which was transferred to the Strategic Risk Reserve. The cost of the LATS used was £0.068m based on a usage of 5,469 units. These are held on the Balance Sheet until surrender to DEFRA in September, 2011.

## Note 23: Cash and Cash Equivalents

This note sets out details of the Council's cash in hand and instant access investment accounts in addition to the overdraft included in the Liabilities section of the balance sheet. The latter is actually the cashbook balance after allowing for unpresented cheques. The Council's actual bank statement position as at 31st March 2011 was £0.004m

1 April 2009 £000s	2009/10 £000s		2010/11 £000s
		<b>Assets</b>	
112	111	Bank and Imprests	105
56	2,280	Liquidity Investment Accounts	5,803
168	2,391		<b>5,909</b>
		<b>Liabilities</b>	
(2,196)	(6,303)	Bank Overdraft	(4,822)
(2,028)	(3,912)		<b>1,087</b>

## Note 24: Assets Held for Sale (Less than one year)

This note shows the movement of items of property, plant or equipment, or groups of assets and liabilities whose carrying amount is to be recovered principally through a sale rather than its continued use by the Council.

2009/10 £000s		2010/11 £000s
400	Balance outstanding at start of year	250
	Assets newly classified as held for sale:	
839	Property, Plant and Equipment	360
(589)	Revaluation losses	(72)
-	Revaluation gains	182
	Impairment losses	
-	Assets declassified as held for sale	-
(400)	Assets sold	(250)
-	Transfers from non-current to current	-
-	Other movements	-
250	<b>Balance outstanding at year-end</b>	<b>470</b>

## Note 25: Short Term Creditors

This note sets out amounts owed by the Council as at 31st March 2011.

Restated 1 April 2009 £000s	Restated 2009/10 £000s		2010/11 £000s
1,320	2,635	Government Departments	230
87	0	HM Revenue and Customs	2,243
476	508	Other Local Authorities	714
4,810	5,682	Income in Advance	5,805
11,447	14,458	General and Other Creditors	7,263
2,323	2,594	Employee Absences	1,432
3,397	4,017	Trade Creditors	4,987
23,860	29,894		<b>22,674</b>



## Note 26: Provisions - Current Liabilities

Total provisions at 31st March, 2011, were £3.200m (£3.115m in 2009/2010), as detailed below.

	Equal Pay	Litigation	Job Evaluation/S ingle Status	Land Charges	Total
	£000's	£000's	£000's	£000's	£000's
<b>Balance at 31st March 2010</b>	173	728	1,742	-	<b>2,643</b>
Additional provisions made in 2010/11	-	-	744	77	<b>821</b>
Amounts used in 2010/11	(173)	(595)	(241)	-	<b>(1,009)</b>
Unused amounts reversed in 2010/11	-	-	-	-	-
Unwinding of discounting in 2010/11	-	-	-	-	-
<b>Balance at 31st March 2011</b>	-	133	2,245	77	<b>2,455</b>

## Note 26: Provisions - Long term Liabilities

	Custodian Authority Property Charges	Equal Pay Back Pay	Total
	£000's	£000's	£000's
<b>Balance at 31st March 2010</b>	97	375	<b>472</b>
Additional provisions made in 2010/11	-	273	<b>273</b>
Amounts used in 2010/11	-	-	-
Unused amounts reversed in 2010/11	-	-	-
Unwinding of discounting in 2010/11	-	-	-
<b>Balance at 31st March 2011</b>	97	648	<b>745</b>

Equal Pay - this provision is earmarked to meet the Council's liabilities in relation to Equal Pay.

Custodian Authority Property Charges - this provision is earmarked to meet the Council's share of the costs of the Custodian Authority properties inherited from the former Cleveland County Council.

Litigation - the litigation provision has been created to cover planning appeals and other potential legal cost liabilities.

Equal Pay Back Pay - this provision has been created in accordance with CIPFA LAAP Bulletin 68, requiring the estimated costs of back pay claims to be charged against net cost of services.

Job Evaluation / Single Status - this provision has been created to fund the potential of backdated successful appeals and protection costs of the implementation of Single Status.

Land Charges - this provision has been create to cover potential refunds of land charges.

## Note 27: Other Long Term Liabilities

The Finance lease liability relates to the outstanding principal on the Council's finance leases. Further details are included in Note 36 - Finance Leases.

1 April 2009 £000s	2009/10 £000s		2010/11 £000s
1,207	929	Finance lease liability	801
20	12	Deferred capital receipt	-
54,703	121,612	Net Pensions liability	51,856
55,930	122,553		<b>52,657</b>

## Note 28: Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11:

2008/09 £000s	2009/10 £000s		2010/11 £000s
<b>Credited to Taxation and Non Specific Grant Income</b>			
10,606	12,296	Area Based Grant	14,497
5,862	9,345	RSG	6,533
36,836	38,766	Council Tax Income	39,488
42,112	40,489	NNDR Pool Contribution	44,989
2,904	42	LABGI	-
613	-	LPSA	-
1,050	1,255	Capital - Devolved Formula Capital Grant	687
-	436	Capital - Primary Capital Programme	4,853
1,232	1,809	Capital - Other DfE Grants	1,066
-	-	Capital - Building Schools for the Future	3,721
3,580	2,915	Capital - Housing Market Renewal	1,853
-	1,325	Capital - Homes & Communities Agency	4,486
1,378	1,997	Other Capital Grants & Contributions	2,927
106,173	110,675	<b>Total</b>	<b>125,100</b>
<b>Credited to Services</b>			
58,525	59,700	Dedicated Schools Grant	61,717
33,401	39,403	Housing Benefit Payments	42,611
11,046	12,111	Council Tax Benefit Subsidy	12,783
11,990	10,959	Schools Standard Fund & Schools Standard Grants	13,045
4,108	4,403	General Sure Start Grant	5,105
4,927	3,985	Supporting People	-
-	1,675	Single Housing Investment Pot	329
3,318	3,684	Learning & Skills Council / Young Peoples Learning Agency	4,762
4,081	2,903	New Deal for Communities	1,809
1,503	2,512	Other Department for Education Grants	2,222
1,180	1,337	Housing Benefit and Council Tax Benefit Administration	1,366
2,046	306	Environment Agency	67
236	1,119	Department for Work & Pensions	3,567
2,586	2,531	Department of Health Grants	797
6,314	6,625	Other Grants	7,412
145,261	153,253	<b>Total</b>	<b>157,592</b>

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end

### Capital Grants Receipts in Advance

2008/09 £000s	2009/10 £000s		2010/11 £000s
1,677	2,358	Homes & Communities Agency	222
2,474	3,353	Other Capital Grants & Contributions	2,236
-	-	Building Schools for the Future	7,622
-	-	Department for Transport	3,326
1,366	1,544	Other Department for Education Grants	1,638
-	4,564	Primary Capital Programme	3,089
5,517	11,819	<b>Total</b>	<b>18,133</b>

## Note 29: Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and Notes 6 and 7 and are summarised below.

2009/10 £000s		2010/11 £000s	Note
	<b><u>Earmarked Reserves</u></b>		
	<b>Capital Reserves:</b>		
3,033	Capital Funding Reserve	4,569	a
37	Maritime Avenue Remedial Works	38	b
662	Capital Grants Unapplied	2,975	c
891	Capital Receipts Unapplied	0	d
4,623		7,583	
	<b>Specific Revenue Reserves :</b>		
66	School Rates	74	e
99	Other Fund School Balances	155	f
300	Brierton/Dyke House BSF Costs	300	g
761	Building Schools for the Future	396	h
10,829	Strategic Change & Ring Fenced Grants Reserves	11,989	i
2,310	Strategic Risk Reserve	3,252	j
4,033	Insurance Fund	3,181	k
413	Lotteries Reserve	417	l
63	Museums Acquisition	66	m
344	Business Transformation	261	n
655	NDC Fund	45	o
-	Carbon Reduction Commitment	196	p
-	Incinerator Reserve	600	q
19,873		20,932	
24,496	<b><u>Total Earmarked Reserves</u></b>	<b><u>28,516</u></b>	
3,462	<b>Unearmarked General Fund Balance</b>	3,856	r
	<b><u>Earmarked General Fund Balances</u></b>		
3,543	Balances held by schools under a scheme of delegation	4,409	s
781	Strategic Change Reserve	732	t
2,086	Budget Support Fund	1,437	u
29	Energy Saving Fund	1	v
50	Strategic Procurement Review	50	w
15	LPSA Reward	18	x
4	Cabinet Projects	4	y
9,970	<b><u>Total General Fund Balances</u></b>	<b><u>10,507</u></b>	
34,466	<b><u>Total Reserves</u></b>	<b><u>39,023</u></b>	

### Notes

- The Capital Funding Reserve is earmarked to finance specific expenditure rephased to 2011/2012.
- From the 1st April, 1998, the Council became responsible for the maintenance of various roads within Hartlepool Marina, which were previously the responsibility of Teesside Development Corporation. These reserves will be used to fund expenditure in future years.
- These are capital grants that will be used to finance capital expenditure in future years.
- The Useable Capital Receipts Reserve represents the capital receipts available to finance capital expenditure in future years.
- The Schools Rates Adjustment arises from reductions in school rates payable following the reassessment of rateable values.
- School balances generated from other funding.
- An amount set aside to fund the cost of Dyke House School's temporary move to the Brierton site as part of the Building Schools for the Future programme of works.
- An amount set aside for the implementation of Buildings Schools for the Future.
- These reserves have been established to enable departments to meet one-off costs that may arise from strategic changes to improve services, or reduce costs, without affecting the level of services in the year.
- This risk reserve is set aside to manage one-off risks in relation to Equal Pay/Equal Value claims, Building Schools for the Future one-off costs, the achievement of turnover targets and income shortfall risks.
- This reserve provides for all payments that fall within policy excesses or relate to self-insured risks, the reserve currently covers the estimated value of unpaid outstanding claims.
- The Lotteries Reserve, which consists of the proceeds of the Civic Lottery and donations received, is used for grants and donations to local organisations.
- The Museums Acquisition Reserve was set up to put monies aside for the acquisition of items for the Museum.

- n) An amount set aside to fund the Business Transformation Programme.
- o) An amount set aside to fund future expenditure on New Deal for Communities (NDC) projects.
- p) This reserve has been established to meet the 2011/2012 Carbon Reduction Commitment liability.
- q) This reserve has been established to support the additional disposal costs which will be incurred as a result of the Incinerator being closed for 40 weeks in 2011/2012.
- r) This is the General Fund Balance.
- s) Reserves have arisen from the local management of schools. Further details are available from the Child & Adult Services Department. The net balance of £4.410m consists of individual school balances of £4.417m less loans to schools of £0.007m.
- t) This reserve has been established to enable departments to meet one-off costs that may arise from strategic changes to improve services, or reduce costs, without affecting the level of services in the year
- u) This reserve has been established to support future year's budgets and will be fully used by 2012/2013
- v) This reserve was set up using savings from the climate change levy introduced by the Government in 2001 to finance advances to departments for energy saving measures.
- w) This reserve is to fund the strategic review of corporate procurement practices and strategy in order to assess efficiency and effectiveness and develop new strategies for the future.
- x) This reserve has been created using monies received from the Government following the Council's successful achievement of LPSA Targets.
- y) This reserve has been created to set aside funding for future projects determined by the Cabinet.

### Note 30: Unusable Reserves

The Unusable Reserves are shown below.

1 April 2009 £000s	2009/10 £000s		2010/11 £000s	Table
20,785	28,778	Revaluation Reserve	22,265	1
696	604	Available for Sale Financial Instruments Reserve	418	2
189,127	176,642	Capital Adjustment Account	155,246	3
-	-	Deferred Capital Receipts Reserve	10	5
(54,703)	(121,612)	Pensions Reserve	(51,856)	4
186	386	Collection Fund Adjustment Account	219	6
(375)	(375)	Unequal Pay Back Pay Account	(648)	
(2,323)	(2,594)	Accumulated Absences Account	(1,432)	7
153,393	81,828		<b>124,222</b>	

#### Table 1 - Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2008/09 £000s	2009/10 £000s		2010/11 £000s
9,441	20,785	<b>Balance at 1 April</b>	28,778
14,272	12,002	Upward revaluation of assets	2,045
(1,831)	(3,297)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(3,519)
12,441	8,705	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(1,474)
(588)	-	Impairment of Fixed Assets	-
(442)	(639)	Difference between fair value depreciation and historical cost depreciation	(449)
(67)	(73)	Accumulated gains on assets sold or scrapped	(4,590)
(1,097)	(712)	Amount written off to the Capital Adjustment Account	(5,039)
20,785	28,778	<b>Balance at 31 March</b>	<b>22,265</b>

**Table 2 -Available for Sale Financial Instruments Reserve**

The Available for Sale Financial Instruments Reserve contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised.

2008/09 £000s	2009/10 £000s		2010/11 £000s
721	696	<b>Balance at 1 April</b>	604
(25)	(92)	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	(186)
696	604	<b>Balance at 31 March</b>	418

**Table 3 -Capital Adjustment Account**

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 15 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2008/09 £000s	2009/10 £000s		2010/11 £000s
231,240	189,127	<b>Balance at 1 April</b>	176,642
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(45,545)	(27,186)	· Charges for depreciation and impairment of non-current assets	(23,541)
-	-	· Revaluation losses on Property, Plant and Equipment	
-	-	· Amortisation of intangible assets	
(619)	(1,571)	· Revenue expenditure funded from capital under statute	(1,347)
(1,719)	(101)	· Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(25,252)
(47,883)	(28,858)		(50,140)
1,097	712	Adjusting amounts written out of the Revaluation Reserve	5,039
(46,786)	(28,146)	Net written out amount of the cost of non-current assets consumed in the year	(45,101)
		Capital financing applied in the year:	
480	1,800	· Use of the Capital Receipts Reserve to finance new capital expenditure	1,509
-	-	· Use of the Major Repairs Reserve to finance new capital expenditure	-
618	10,006	· Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	15,857
-	73	· Application of grants to capital financing from the Capital Grants Unapplied Account	1,403
3,574	4,153	· Statutory provision for the financing of capital investment charged against the General Fund	4,642
-	-	· Capital expenditure charged against the General Fund	
4,672	16,032		23,411
-	(371)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	285
-	-	Movements in Donated Assets credited to the Comprehensive Income and Expenditure Statement	9
-	-	Other Adjustments	-
189,126	176,642	<b>Balance at 31 March</b>	<b>155,246</b>

**Table 4 - Pensions Reserve**

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2008/09 £000s	2009/10 £000s		2010/11 £000s
(55,966)	(54,703)	<b>Balance at 1 April</b>	(121,612)
7,546	(63,138)	Actuarial gains or (losses) on pensions assets and liabilities	41,884
(15,938)	(14,504)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	17,230
9,655	10,733	Employer's pensions contributions and direct payments to pensioners payable in the year	10,642
(54,703)	(121,612)	<b>Balance at 31 March</b>	<b>(51,856)</b>

**Table 5 - Deferred Capital Receipts Reserve**

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of noncurrent assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2009/10 £000s		2010/11 £000s
-	<b>Balance at 1 April</b>	12
-	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	
-	Transfer to the Capital Receipts Reserve upon receipt of cash	(2)
-	<b>Balance at 31 March</b>	<b>10</b>

**Table 6 - Collection Fund Adjustment Account**

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2009/10 £000s		2010/11 £000s
185	<b>Balance at 1 April</b>	<b>386</b>
201	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(167)
386	<b>Balance at 31 March</b>	<b>219</b>

**Table 7 - Accumulated Absences Account**

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, eg annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

There has been a significant change in the accrual made for accumulated absences between 31st March 2010 and 31st March 2011. This has arisen owing to employees not carrying forward annual leave to the same level as the previous year.

2008/09 £000s	2009/10 £000s		2010/11 £000s
-	(2,323)	<b>Balance at 1 April</b>	(2,594)
-	2,323	Settlement or cancellation of accrual made at the end of the preceding year	2,594
(2,323)	(2,594)	Amounts accrued at the end of the current year	(1,432)
(2,323)	(271)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	<b>1,162</b>
(2,323)	(2,594)	<b>Balance at 31 March</b>	<b>(1,432)</b>



## **Note 31: Related Party Transactions**

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

### **Central Government**

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (eg council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 28 on reporting for resources allocation decisions.

### **Members**

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2010/11 is shown in Note 12. The Grants Committee paid grants totalling £29,693 to voluntary organisations in which two members had declared prejudicial interests. In all instances, the grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants. Details of all these transactions are recorded in the Register of Members' Interest, open to public inspection at the Civic Centre during office hours.

### **Officers**

Following a survey of the Corporate Management Group, any declarations have been reviewed and none contain relationships that are deemed to be material to warrant disclosure.

### **Other Public Bodies [subject to common control by central government]**

The Council provides various support services, predominantly in relation to financial and legal services, to Cleveland Fire Authority for which it received income of £0.178m (£0.166m in 2009/10). In particular, the Council's Chief Solicitor held the position of Legal Advisor and the Chief Financial Officer held the position of Deputy Treasurer (see Note 13 for further details).

The Council continues to provide a range of support services to Housing Hartlepool including Fleet Maintenance and Building Cleaning. The income from these services amounted to £0.879m (£0.609m in 2009/10) which represented the cost of the service provided. In addition, Housing Hartlepool manage a number of recently built domestic properties on the Council's behalf for which the Council paid Housing Hartlepool a management fee of £15,000 per property (nil in 2009/10 as the properties were not built).

### **Entities Controlled or Significantly Influenced by the Authority**

The Council holds minority shares in Durham Tees Valley Airport Ltd and SITA Tees Valley Ltd. The value of shares held by the Council in Durham Tees Valley Airport Limited (formerly Teesside International Airport) is £0.221m based on a shareholding of 2.47%. The value has been determined with reference to the net worth of the company as per their latest accounts for the financial year ending 31st March, 2010.

Issues of note include a loss on the Profit and Loss Account of £6.466m (previous year loss of £2.653m) and a net asset position of £8.941m (previous year £16.476m). Further information and copies of their accounts are available from the Registered Office – Liverpool John Lennon Airport, Liverpool, L24 1YD.

In addition, the Council holds shares in SITA Tees Valley Limited, (formerly Cleveland Waste Management) with a value of £0.197m, equating to 16.5% of a £1.194m preference shareholding in the company. SITA Tees Valley Limited have produced accounts for the financial year to 31st December, 2009, that includes a loss on the Profit and Loss Account of £2.353m (previous year profit of £3.696m) and a net asset position of £34.372m (previous year £36.725m). Further information on their accounts is available from the Registered Office, SITA House, Grenfell Road, Maidenhead, Berkshire, SL6 1ES.

The Council previously produced Group Accounts, which included the accounts of CADCAM Applications Training and Support Company Ltd., as a joint venture company. CADCAM was a company which inherited from the former Cleveland County Council by the Council and three other Tees Valley local authorities. The Council had a 25% share in the company. The company ceased training on 1st April 2004 and was officially wound up on 17th August 2010. Companies House advised that no final accounts were required and the winding up resulted in the redistribution of £1,481 to the Council in respect of its share of CADCAM.

### Note 32: Trading Operations

Following the abolition of Compulsory Competitive Tendering, the Council is no longer required to maintain statutory DSO trading accounts. The Council previously determined to maintain separate trading accounts for these operations. The (surplus)/deficit of each trading account is contained within the appropriate service of the net cost of services

Catering and Leisure Management operations are included within Cultural, Environmental and Planning Services. The (surplus)/deficit of each trading account is included within the relevant service expenditure lines of the Income and Expenditure Account

2009/10 (Surplus) / Deficit £000s	Internal Trading Operations	2010/11		
		Costs	Sales	(Surplus) / Deficit
		£000s	£000s	£000s
(7)	Catering	198	(191)	7
996	Leisure Management	1,468	(492)	976
(111)	Building Maintenance	4,251	(4,611)	(360)
(241)	Highways Works	3,361	(3,634)	(273)
(259)	Grounds Maintenance	2,646	(2,904)	(258)
(157)	Vehicle Maintenance	5,162	(5,188)	(26)
103	Building Cleaning	2,446	(2,375)	71
243	School Catering	4,082	(3,768)	314
-	Housing Revenue Account	15	(50)	(35)
567		<b>23,628</b>	<b>(23,213)</b>	<b>415</b>

### Note 33: External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors:

2009/10 £000s		2010/11 £000s
262	Fees payable to Audit Commission with regard to external audit services carried out by the appointed auditor for the year	267
-	Rebate for Audit Fees relating to International Financial Reporting Standards (IFRS)	(14)
-	Rebate for Audit Fees relating to Use of Resources	(8)
17	Fees payable to the Audit Commission with regard to statutory inspections	14
30	Fees payable to Audit Commission for the certification of grant claims and returns for the year	42
-	Fees payable in respect of other services provided by Audit Commission during the year	-
309		301

**Note 34: Dedicated Schools Grant**

The Council's expenditure on schools is primarily funded by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each school.

Details of the deployment of DSG receivable for 2010/2011 are as follows: -

	<b>Central Expenditure £000s</b>	<b>Individual Schools Budget £000s</b>	<b>Total £000s</b>
Final Dedicated Schools Grant for 2010/11	5,986	55,731	61,717
Brought Forward from 2009/10	190	(49)	141
Carry Forward to 2011/12 agreed in advance	-	-	-
Agreed Budget Distribution in 2010/11	6,176	55,682	61,858
Actual Central Expenditure	5,962	-	5,962
Actual Individual Schools Budget Deployed to Schools	-	55,725	55,725
Local authority contribution for 2010/11	629	-	629
Surplus Carried forward to 2010/11	<b>843</b>	<b>(43)</b>	<b>800</b>

The Local Authority contribution consists of funding from Area Based Grants which have ceased in 2011/12.

## Note 35: Operating Leases

The Council has acquired a number of administrative buildings and its fleet of vehicles by entering into operating leases, with typical lives of five years for vehicles and eight years for property. The future minimum lease payments due under non-cancellable leases in future years are:

### Council as lessee

2009/10 £000s	Future minimum lease payments due	2010/11 £000s
421	Not later than one year	368
780	Later than one year & not later than five years	666
1,255	Later than five years	1,227
<u>2,456</u>		<u>2,261</u>

### Council as lessor

2009/10 £000s	Future minimum lease payments receivable	2010/11 £000s
381	Not later than one year	382
582	Later than one year & not later than five years	409
46	Later than five years	18
<u>1,009</u>		<u>427</u>

The Authority leases out property and equipment under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres.
- for economic development purposes to provide suitable affordable accommodation for local businesses

The Authority has sub-let some of the office accommodation held under these operating leases. At 31 March 2011 the minimum payments expected to be received under non-cancellable sub-leases was £0.164m (£0.211m as at 31 March 2010).

The expenditure charged to the Comprehensive Expenditure Statement during the years in relation to these leases was:

2009/10 £000s		2010/11 £000s
	<b>Payments recognised as an expense</b>	
517	Minimum lease payments	370
-	Contingent rents	-
(64)	Sub-lease payments	(64)
<u>453</u>	<b>Total</b>	<u>306</u>

## Note 36: Finance Leases

The Council has acquired a number of vehicles and its IT and telecommunications equipment under finance lease.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

### Council as lessee

2009/10 £000s		2010/11 £000s
	<b>Value of Assets held under Finance Leases</b>	
454	Vehicles, plant & equipment	380
454	<b>Total</b>	<b>380</b>

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property and finance costs that will be payable in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

2009/10 £000s		2010/11 £000s
	<b>Future minimum lease payments due</b>	
328	Current	362
601	Non-current	438
410	Finance costs payable in the future	247
1,339	<b>Total minimum lease payments</b>	<b>1,047</b>

### Note 36: Finance Leases

The minimum lease payments and finance lease liabilities will be payable over the following periods:

	<b>Minimum Lease Payments</b>		<b>Finance Lease liabilities</b>	
	2009/10 £000s	2010/11 £000s	2009/10 £000s	2010/11 £000s
<b>Payable:</b>				
No later than one year	514	497	328	362
Later than one year & not later than five years	825	550	601	439
Later than five years	-	-	-	-
<b>Total</b>	<b>1,339</b>	<b>1,047</b>	<b>929</b>	801

**Note 37: Capital Expenditure and Financing**

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

2009/10 £000s		2010/11 £000s
83,683	<b>Opening Capital Financing Requirement</b>	86,903
	<b>Capital investment</b>	
17,681	Property, Plant and Equipment	27,350
-	Investment Properties	27
8,067	Revenue Expenditure Funded from Capital under Statute	6,353
	<b>Sources of Finance</b>	
(1,800)	Capital receipts	(1,509)
(16,575)	Government grants and other contributions	(22,275)
	<i>Sums set aside from revenue:</i>	
(4,153)	Minimum Revenue Position (MRP)	(4,642)
86,903	<b>Closing Capital Financing Requirement</b>	<b>92,207</b>
	<b>Explanation of movements in year</b>	
2,456	Increase in borrowing supported by government financial assistance	2,785
4,917	Increase in borrowing unsupported by government financial assistance	6,923
-	Assets acquired under finance leases	238
(4,153)	Minimum Revenue Provision (MRP)	(4,642)
3,220	<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>5,304</b>



## Note 38: Financial Instruments

### Categories of Financial Instruments

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long Term		Current	
	2009/10 £000s	2010/11 £000s	2009/10 £000s	2010/11 £000s
<b>Investments</b>				
Loans and receivables - principal Amount*	-	-	35,300	18,500
Liquidity Accounts included in Cash Equivalents			2,280	5,803
Accrued Interest	-	-	513	104
Loans and receivables at Amortised Cost	-	-	38,093	24,407
Available-for-sale financial assets	604	418	-	-
<b>Total Investments</b>	604	418	38,093	24,407

\* Includes liquid accounts which were previously included within short term investments and have now been reclassified as cash and cash equivalents.

### Debtors

Loans and receivables (Trade Debtors)			3,136	2,786
<b>Total debtors</b>	-	-	3,136	2,786

### Borrowings

Financial liabilities Principal Amount	46,821	46,821	12,161	1,500
Accrued Interest	392	386	86	198
Financial liabilities at amortised cost	47,213		12,247	1,698
<b>Total Borrowings</b>	47,213	47,207	12,247	1,698

### Other Long Term Liabilities

Finance lease liabilities	929	801		
<b>Total other long term liabilities</b>	929	801		

### Creditors

Financial liabilities carried at contract amount (Trade Creditors)	-		4,017	4,987
<b>Total creditors</b>	-	-	4,017	4,987

There have been no reclassifications of financial instruments or gains and losses arising for recognition or derecognition.

# Note 38: Financial Instruments

## Income, Expense, Gains and Losses

This note comprises details of income, expenses and revaluation losses that relate specifically to financial instruments. Interest expense and interest income and are included along with other non financial instrument related income and expenditure within the Financing and Investment Income and Expense line of the Comprehensive Income and Expenditure Statement.

The losses on revaluation relate to the reduction in net worth of the Durham Tees Valley Airport (See Note 31 Related Party Transactions). This type of loss is not recognised in the Comprehensive Income and Expenditure Account but rather the Available for Sale Unusable Reserve as detailed in Note 30.

	2009/10				2010/11			
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Total	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Interest expense	2,116	-	-	2,116	2,046	-	-	2,046
Interest income	-	(1,185)		(1,185)	-	(503)	-	(503)
Losses on revaluation	-	-	92	92	-	-	186	186
<b>Net gain/(loss) for the year</b>	<b>2,116</b>	<b>(1,185)</b>	<b>92</b>	<b>1,023</b>	<b>2,046</b>	<b>(503)</b>	<b>186</b>	<b>1,729</b>

**Note 38: Financial Instruments****Fair Values of Assets and Liabilities**

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- estimated ranges of interest rates at 31 March 2011 of 1.24% to 4.09% for loans from the PWLB and 4.06 % for other loans receivable and payable, based on the PWLB premature repayment rates for equivalent loans at that date
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 March 2010		31 March 2011	
	Carrying Amount £000s	Fair Value £000s	Carrying Amount £000s	Fair Value £000s
<b>Financial Liabilities</b>				
Market Loans	45,428	43,183	45,422	44,749
PWLB	1,785	2,605	1,785	2,671
Short Term Borrowing	12,310	12,310	1,698	1,698
Trade Creditors	4,017	4,017	4,987	4,987

The fair value of the liabilities is lower than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate market loans where the interest rate payable is lower than the prevailing rates at the Balance Sheet date.

	31 March 2010		31 March 2011	
	Carrying Amount £000s	Fair Value £000s	Carrying Amount £000s	Fair Value £000s
<b>Loans and receivables</b>				
Money market loans maturing within 1 year	37,580	37,580	24,408	24,408
Trade Debtors	3,136	3,136	2,786	2,786

The fair value of the assets is equal to the carrying amount because the Council's portfolio of investments only includes short term fixed deposits and instant access liquidity accounts where the current value is considered to be representative of there fair value at the balance sheet date.

The carrying value of the Councils investment with Durham Tees Valley Airport (Note 18) has been determined from the Councils 2.47% shareholding and the net worth of the company as per the latest audited accounts.

## **Note 39: Nature and Extent of Risks Arising from Financial Instruments**

The Authority's activities expose it to a variety of financial risks:

- market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.
- credit risk – the possibility that other parties might fail to pay amounts due to the Authority
- liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments
- the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and Investment Guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
  - The Council's overall borrowing;
  - Its maximum and minimum exposures to the maturity structure of its debt;
  - Its maximum and minimum exposures to fixed and variable rates;
  - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 29th January 2010 and is available on the Council website. The key issues within the strategy were:

- the Authorised Limit for the 2010/2011 was set at £115m. This is the maximum limit of external borrowings or other long term liabilities;
- The Operational Boundary was expected to be £102m. This is the expected level of debt and other long term liabilities during the year
- the maximum amounts of fixed and variable interest rate exposure were set at £72m and £42m respectively, based on net debt

These items are reported with the annual Treasury Management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported annually to Councillors. The Council has now extended to the role of the Audit Committee to include the scrutiny of treasury activities.

### **Price Risk**

The Authority does not invest in equity shares and is consequently not exposed to losses arising from movements in the prices of the shares.

### **Foreign Exchange Risk**

The Authority has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

### **Collateral Risk**

During the reporting period the Council held no collateral as security and is therefore not exposed to losses arising from this risk.

## Note 39: Nature and Extent of Risks Arising from Financial Instruments

### Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Ratings Services. The Annual Investment Strategy also imposes a maximum amount and time to be invested with a financial institution located within each category. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. The Council now operates a very restricted counterparty list and only deals with UK banks with at least a AA credit rating and the largest Building Society (which has a AA credit rating), the Debt Management Office and other Local Authorities

The full Investment Strategy for 2010/11 was approved by Full Council on the 29th January 2010/11 and is available on the Council's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £21.203m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2011 that this was likely to crystallise.

No credit limits were exceeded during the reporting period and the authority does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The following analysis summarises the Authority's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last three financial years, adjusted to reflect current market conditions.

	Estimated maximum exposure at 31 March 2010 £000s	Amount at 31 March 2011 £000s	Historical experience of default %	Adjustment for market conditions at 31 March 2011 %	Estimated maximum exposure to default at 31 March 2011 £000s
Trade Debtors	560	2,786	20.18%	20.18%	562
	<u>560</u>				<u>562</u>

The historical experience of default is calculated with reference to the outstanding debt balance, rather than as a percentage of income generated in the year.

The Authority does not generally allow credit for customers, such that £1.975m of the £2.786m balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	31 March 2010 £000s	31 March 2011 £000s
Less than three months	1,332	1,262
Three to six months	190	137
Six months to one year	48	172
More than one year	533	404
	<u>2,103</u>	<u>1,975</u>

## Note 39: Nature and Extent of Risks Arising from Financial Instruments

### Liquidity Risk

The authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the authority has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The authority sets limits on the maturity structure of its fixed rate borrowing during specified periods. The limits have been set to enable maximum flexibility as experience has shown it is possible to move from 100% long term borrowing to 100% short term borrowing and then back to 100% long term borrowing over a period of two years. Therefore the lower limit was set to nil and the upper limit to £102m, equal to the operational boundary.

The maturity structure of borrowing at the year end was as follows:

	31 March 2010 £000s	31 March 2011 £000s
Less than one year	12,704	2,087
Between one and two years	3	3
Between two and five years	73	73
Between five and ten years	146	146
More than ten years	46,597	46,593
	59,523	48,902

All trade and other payables are due to be paid in less than one year.

### Market Risk

#### Interest Rate Risk

The Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The view of the Chief Financial Officer is that limits on fixed and variable rates of borrowings are unhelpful and should lead to unnecessary higher cost of borrowing. Previous experience has shown that it is possible to move from a position of predominantly fixed rate borrowing to variable rate borrowing and then back to fixed rate borrowing over a period of two years. The intention is to move to fixed rate borrowing when rates are at an appropriate level and may require the use of variable rate borrowing in the interim. The Council has maximised the use of its balances to defer borrowing and avoid the risk of default on investments.

According to this assessment strategy, at 31 March 2011, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000s
Increase in interest payable on borrowings	468
Increase in interest receivable on variable rate investments	(353)
Impact on Surplus or Deficit on the Provision of Services	115
Impact on Other Comprehensive Income and Expenditure	115
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	(8,011)

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

**Note 40: Cash Flow Statement - Adjustments for non-cash movements**

	2009/10 £000s	2010/11 £000s
Depreciation	(23,061)	<b>(27,055)</b>
Impairment and downward valuations	(3,169)	-
Amortisation	2,744	-
Increase in impairment provision for bad debts	-	-
Increase in creditors	(4,118)	<b>6,683</b>
Increase in debtors	5,061	<b>(3,663)</b>
Decrease in stock	100	<b>22</b>
Pension liability	(3,771)	<b>27,871</b>
Carrying amount of non-current assets sold	(841)	<b>(25,252)</b>
Other non-cash items charged to the net surplus or deficit on the provision of services	13,298	<b>(16,786)</b>
	<b>(13,757)</b>	<b>(38,180)</b>

**Note 41: Cash Flow Statement - Adjustment for investing and financing activities**

	2009/10 £000s	2010/11 £000s
Purchase of short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	-	-
Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	-	-
Proceeds from the sale of property plant and equipment, investment property and intangible assets	1,164	<b>42,016</b>
	<b>1,164</b>	<b>42,016</b>

**Note 42: Cash Flow Statement - Operating Activities**

The cash flows for operating activities include the following items:

	2009/10 £000s	2010/11 £000s
Interest received	(2,662)	<b>(1,529)</b>
Interest paid	2,592	<b>(1,172)</b>
Dividends received	-	-

### Note 43: Cash Flow Statement - Investing Activities

	2009/10 £000s	2010/11 £000s
Purchase of property, plant and equipment, investment property and intangible assets	17,091	<b>28,549</b>
Purchase of short-term and long-term investments	-	-
Other payments for investing activities	-	-
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,164)	<b>(620)</b>
Proceeds from short-term and long-term investments	(4,200)	<b>(16,800)</b>
Other receipts from investing activities	(23,575)	<b>(31,235)</b>
<b>Net cash flows from investing activities</b>	<b>(11,848)</b>	<b>(20,106)</b>

### Note 44: Cash Flow Statement - Financing Activities

	2009/10 £000s	2010/11 £000s
Cash receipts of short-term and long-term borrowing	(66,041)	<b>5,406</b>
Other receipts from financing activities	(9,989)	<b>1,552</b>
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	278	<b>366</b>
Repayments of short- and long-term borrowing	82,205	<b>10,660</b>
Other payments for financing activities	-	-
<b>Net cash flows from financing activities</b>	<b>6,453</b>	<b>17,984</b>

### Note 45: Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

This is a defined benefit scheme. Although the scheme is unfunded, Teachers' Pensions use a notional fund as the basis for calculating employers' contribution rate paid by local education authorities. However, it is not possible for the Council to identify a share of underlying liabilities in the scheme attributable to its own employees. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

The Council's contribution to the Teacher's Pension Scheme in 2010/2011 amounted to £4.530m (£4.415m in 2009/2010) which represented 14.1% of pensionable pay (14.1% in 2009/2010). £0.019m was paid as added years contributions (£0.020m in 2009/2010).

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These benefits are fully accrued in the Pensions Liability relating to the Local Government Pension Scheme.



## Note 46: Defined Benefit Pension Schemes

### Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in The Local Government Pension Scheme, administered locally by Middlesbrough Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

### Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	2009/10 £000s	2010/11 £000s
<b>Comprehensive Income and Expenditure Statement</b>		
Cost of Services:		
Current Service cost	(7,435)	(13,309)
Past Service cost	-	(34,008)
Curtailment and Settlements	(2,656)	(951)
Financing and Investment Income and Expenditure		
Interest cost	(17,032)	(21,502)
Expected return on scheme assets	12,619	18,983
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>(14,504)</b>	<b>(50,787)</b>
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(63,138)	41,884
Actuarial gains and (losses)	-	-
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(77,642)</b>	<b>(8,903)</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	77,642	8,903
Actual amount charged against the General Fund Balance for pensions in the year:	(10,733)	(10,642)
<b>Employers' contributions payable to scheme</b>	<b>(10,733)</b>	<b>(10,642)</b>

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31st March 2011 is a gain of £41.884m (£63.144m actuarial loss in 2009/2010).

## Note 46: Defined Benefit Pension Schemes

The Government announced plans to increase future Local Government pensions in line with the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). The actuarial assumption is that the CPI will increase at a slower rate than the RPI resulting in pension increases and therefore the IAS19 liabilities being lower. This 'past service gain' of £34.008m is disclosed separately in the Comprehensive Income and Expenditure Statement owing to the exceptional nature of the item.

### Assets and Liabilities in Relation to Post-employment Benefits

#### Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	2009/10 £000s	2010/11 £000s
Opening balance at 1 April	(254,994)	(400,384)
Current Service Cost	(7,435)	(13,309)
Interest Cost	(17,032)	(21,502)
Contributions by scheme participants	(3,520)	(3,391)
Actuarial gains and (losses)	(127,290)	36,412
Benefits paid	11,634	13,750
Past service costs	-	34,008
Entity combinations	-	-
Curtailments	(2,656)	(951)
Settlements	-	-
Unfunded Pension Payments	909	964
<b>Closing balance at 31 March</b>	<b>(400,384)</b>	<b>(355,367)</b>

#### Reconciliation of fair value of the scheme (plan) assets:

	2009/10 £000s	2010/11 £000s
Opening balance at 1 April	200,291	278,772
Expected rate of return	12,619	18,983
Actuarial gains and (losses)	64,152	5,472
Employer contributions	10,733	10,642
Contributions by scheme participants	3,520	3,391
Benefits paid	(12,543)	(14,714)
Entity combinations	-	-
Settlements	-	-
<b>Closing balance at 31 March</b>	<b>278,772</b>	<b>302,546</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £23.7m (2009/10: £76.8m).

## Note 46: Defined Benefit Pension Schemes

### Scheme history

	2006/07 £000s	2007/08 £000s	2008/09 £000s	2009/10 £000s	2010/11 £000s
Present value of liabilities (A)	290,935	287,471	254,994	400,384	<b>354,402</b>
Fair value of scheme assets (B)	223,288	231,505	200,291	278,772	<b>302,546</b>
Surplus/(deficit) in Scheme (B)-(A)	(67,647)	(55,966)	(54,703)	(121,612)	<b>(51,856)</b>
Experience Adjustments on Scheme Assets	860	12,144	53,067	(64,152)	<b>(5,472)</b>
Experience Adjustments on Scheme Liabilities	0	11,539	0	(3,983)	<b>7,402</b>

The liabilities show the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The total liability of £51.856m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative overall balance of £163.3. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy; the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (ie before payments fall due), as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2012 is £8.328m.

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Barnett Waddington, an independent firm of actuaries, estimates for the Council based on the latest full valuation of the scheme as at 31st March 2010.

The principal assumptions used by the actuary have been:

	2009/10	2010/11
Long-term expected rate of return on assets in the scheme:		
Equity investments	7.3%	7.2%
Gilts	4.5%	4.4%
Bonds	5.5%	5.5%
Property	5.5%	5.4%
Cash	3.0%	3.0%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	19.51	18.9
Women	22.55	23
Longevity at 65 for future pensioners:		
Men	20.41	20.9
Women	23.43	24.9
Other assumptions:		
Rate of inflation	3.9%	3.5%
Rate of increase in salaries	5.4%	5.0%
Rate of increase in pensions	3.9%	2.7%
Rate for discounting scheme liabilities	5.5%	5.5%
Members will exchange half of their commutable pension for cash at retirement		
Active members will retire one year later than they are first able to do so without reduction		

## Note 46: Defined Benefit Pension Schemes

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	2009/10 £000s	<b>2010/11</b> <b>%</b>
Equity investments	83.0	84.0
Gilts	7.0	6.0
Other Bonds	1.0	2.0
Property	4.0	4.0
Cash	5.0	4.0
	<b>100.0</b>	<b>100.0</b>

### History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	2006/07 %	2007/08 %	2008/09 %	2009/10 %	<b>2010/11</b> <b>%</b>
Differences between the expected and actual return on assets	0.39	(5.25)	(26.49)	23.01	<b>1.81</b>
Experience gains and (losses) on liabilities	-	4.01	-	(0.99)	<b>2.09</b>

**Note 47: Contingent Liabilities**

These refer to either a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control or; a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability

In 2010/2011 the contingent liabilities are as follows:

- In 1989 the Council gave a loan guarantee of £3m to North Housing Association for sums borrowed on the money markets that would come into operation should North Housing Association default on the loan terms. Provision is included in the agreement for any such payments to be secured on North Housing Association property. It is anticipated that this guarantee will exist until the loan is repaid in 2049.
- A guarantee given to South Tyneside Borough Council, as administrators of the Tyne and Wear Pension Fund, against this authorities share of potential liabilities of £0.056m under the admission agreement for employees of the North East Assembly.
- A guarantee given to the Middlesbrough Pension Scheme for the staff transferred to Hartlepool Housing in 2004.
- The cost of a number of Equal Pay Tribunals that may potentially arise following the settlement of Equal Pay claims.

**Note 48: Agency Services**

For the period 1st April 2010 to 31st July 2010 the Council received 16 -18 year old funding from the Young People's Learning Agency (YPLA) and were required to pass this funding to the Sixth Form College, the College of Further Education and NACRO in accordance with the payment schedules included in the funding arrangements transferred to local authorities from the former Learning and Skills Council (LSC). Prior to 1st April 2010 this funding was the responsibility of the LSC and from 1st August 2010 it reverted to being the responsibility of the YPLA.

As the Council was acting as an agent of the YPLA the entries have been excluded from the Council's financial statements. This equated to £5.0m of grant income and £5.0m of payments to the above providers.

The Council has no other significant agency income and expenditure.

# Hartlepool Borough Council - Annual Accounts 2010/11

## THE COLLECTION FUND

The Collection Fund is a statutory fund, separate from the General Fund of the Council, which accounts independently for transactions relating to council tax, non domestic rates and residual community charges. The Fund is operated and reported on under the same accounting policies as Hartlepool Borough Council.

2009/2010 £000		2010/2011 £000	Notes
<b><u>INCOME</u></b>			
<b>Council Tax :</b>			
33,266	Billed to tax payers	33,873	
12,190	Council Tax Benefits transferred from General Fund	12,925	
<u>45,456</u>		<u>46,798</u>	1
141	Reduced Provision for Non-Payment of Council Tax	-	
24,898	Income Collectable from Business Ratepayers	22,810	2
178	Reduced Provision for Non-Payment of NNDR	-	
<u>25,217</u>		<u>22,810</u>	
<b><u>70,673</u></b>	<b>TOTAL INCOME</b>	<b><u>69,607</u></b>	
<b><u>EXPENDITURE</u></b>			
44,996	<b>Precepts</b>	46,435	3
-	Increased Provision for Non-Payment of Council Tax	306	
-	Increased Provision for Non-Payment of NNDR	8	
<u>-</u>		<u>314</u>	
<b>Non Domestic Rates :</b>			
24,962	Payment to National Pool	22,676	2
115	Cost of Collection Allowance	126	
<b>Contributions for previous years estimated</b>			
<b>Collection Fund Surplus/(Deficit) :</b>			
310	Hartlepool Borough Council	215	
40	Cleveland Police Authority	28	
14	Cleveland Fire Authority	10	
<u>364</u>		<u>253</u>	
<b><u>70,437</u></b>	<b>TOTAL EXPENDITURE</b>	<b><u>69,803</u></b>	
(236)	(Surplus)/Deficit for the year	196	
<u>(218)</u>	(Surplus)/Deficit brought forward	<u>(454)</u>	
<b><u>(454)</u></b>	<b>(Surplus)/Carried forward</b>	<b><u>(258)</u></b>	

## THE COLLECTION FUND

### Note 1 - Council Tax

Council Tax income comes from a charge made on residential properties. The income is used to support the Council's General Fund revenue expenditure, as detailed in the Income and Expenditure Account. It is also used to finance Hartlepool's share of the Police and Fire Authorities expenditure, through precepts made on the Council's Collection Fund. The level of Council Tax in any year is determined by estimating the income required by the Council and the Police and Fire Authorities, and dividing this by the Council Tax base, which comprises residential properties banded by value and charged accordingly.

To allow for comparison between years and authorities the tax base is expressed as the number of Band D properties in the district, which is calculated by multiplying the number of properties in a band by an appropriate weighting, ranging from 6/9 to 2.

There were 32,458 Band D equivalents in 2010/11 (32,244 for 2009/10) and the basic amount of council tax for a Band D property was £1,670.51 (£1,628.14 in 2009/10).

Set out in the table below are the Band D weightings, property numbers and income from each band level.

Band	Weighting to Band D	No. of properties in each band	Equivalent no. of Band D Properties	Hartlepool BC demand per property ( Ex Parishes) £	Police Authority demand per property £	Fire Authority demand per property £	Total demand per property £	Total Income per band £000's
A	6/9	24,320	16,213	945.80	125.23	42.65	1,113.68	27,085
B	7/9	6,303	4,916	1,103.43	146.10	49.75	1,299.28	8,189
C	8/9	5,718	5,089	1,261.07	166.97	56.86	1,484.90	8,491
D	9/9	2,916	2,916	1,418.70	187.84	63.97	1,670.51	4,871
E	11/9	1,411	1,725	1,733.97	229.58	78.19	2,041.74	2,881
F	13/9	564	812	2,049.23	271.32	92.40	2,412.95	1,361
G	15/9	410	685	2,364.50	313.07	106.62	2,784.19	1,142
H	18/9	51	102	2,837.40	375.68	127.94	3,341.02	170
<b>TOTALS</b>		<b>41,693</b>	<b>32,458</b>					<b>54,190</b>

The income of £46,798,000 for 2010/11 (£45,456,000 for 2009/10) is receivable from the following sources :

2009/2010 £000		2010/2011 £000
52,467	Opening Liability	54,189
364	Net increase/(decrease) in liability	221
(86)	Disabled Relief	(93)
(5,444)	Discounts	(5,718)
(1,726)	Exemptions	(1,723)
(119)	Write Offs	(78)
<b>45,456</b>		<b>46,798</b>

### Note 2 - Non Domestic Rates

National Non Domestic Rates (NNDR) is organised on a national basis. The Government specifies an amount, termed the Uniform Business Rate which was 41.4p in 2010/11 (48.5p in 2009/10) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from the business ratepayers in its district and pays the proceeds into an NNDR pool administered by the Government. The net contribution to the NNDR pool, after reliefs and provisions, was £22.676m (£24.962m in 2009/10).

The total non-domestic rateable value at the year-end was £96,331,133.



The NNDR income collectable from Ratepayers and the amount payable to the NNDR Pool being determined as shown below.

<b>2009/2010</b>			<b>2010/2011</b>
<b>£000</b>			<b>£000</b>
28,691	Gross Rates payable		35,519
(3,320)	Mandatory Reliefs		(4,002)
57	Transitional Relief / Surcharge		(8,387)
(70)	Discretionary Reliefs set against NNDR pool		(93)
(432)	Write Offs		(71)
(30)	Interest on Refunds of Overpayments		(30)
24,898	Income Collectable From Ratepayers		22,938
(115)	Cost of Collection		(126)
178	(Increase)/Decrease in Bad Debt Provision		(8)
2	Other		-
<b>24,962</b>	Contribution to NNDR Pool		<b>22,804</b>

### Note 3 - Precepts and Demands on the Collection Fund

<b>2009/2010</b>		<b>2010/2011</b>		
<b>£000</b>		<b>Precept /</b>	<b>Share of</b>	
		<b>Demand</b>	<b>Surplus in</b>	<b>Total</b>
		<b>£000</b>	<b>Year</b>	<b>£000</b>
38,456	Hartlepool Borough Council	39,440	(166)	39,274
5,066	Cleveland Police Authority	5,218	(22)	5,196
1,710	Cleveland Fire Authority	1,777	(7)	1,770
<b>45,232</b>		<b>46,435</b>	<b>(196)</b>	<b>46,239</b>

**MEMORANDUM NOTES - TRUST FUNDS**

Since 1996/1997 the Council has acted as trustee for thirteen Educational Trust Funds that were inherited from Cleveland County Council. Only two of these are active and are used to provide funds for the following purposes:

- Music awards
- Pursuit of Education awards.

One of these active Trust Funds (the Sterndale Scholarship Fund which provided music awards) merged during 2010/11 with the Preston Simpson Scholarship Fund which also provided music awards to create a new Trust Fund called the 'Preston Simpson and Sterndale Scholarship in Music Trust'. This merger was approved by both the Trustees and the Charity Commission and the accounts for the newly formed Trust are shown in the Table below which also shows the transfer of the existing assets of the two Trusts into the new Fund.

The Preston Simpson & Sterndale Scholarship in Music Fund consisted of a cash investment of £63,374 with Hartlepool Borough Council as at 31st March, 2011. The Trust also held two separate external investments valued respectively at £86,168 as at 5th April 2011 (£80,266 as at 6th April 2010) and £14,886 as at 31st December, 2010 (£13,968 as at 31st December, 2009).

The Council also acts as a trustee of the Doughty Fund that was set up following a bequest from Colonel Henry Doughty. This is available to support any charitable objects within the Hartlepool area.

All of the Trust Funds administered by the Council fall below the threshold set by the Charities Act 1996 and therefore no longer require an Audit Certificate.

As at 31st March, 2011, the Doughty Fund consisted wholly of a cash balance investment with the Council.

The balances held by the Council on behalf of various Trust Funds are as follows: -

	<b>Balance at 1st April 2010 £000</b>	<b>Income £000</b>	<b>Expenditure £000</b>	<b>Transfer £000</b>	<b>Balance at 31st March 2011 £000</b>
Preston Simpson & Sterndale Scholarship in Music	-	6.7	7.6	64.2	<b>63.3</b>
Preston Simpson (see Notes above)	4.1	-	-	(4.1)	-
Education Trust Funds	174.0	4.2	1.2	(60.1)	<b>116.9</b>
Doughty Fund	4.5	-	-	-	<b>4.5</b>
	<b>182.6</b>	<b>10.9</b>	<b>8.8</b>	<b>-</b>	<b>184.7</b>

External investments for the above Trust Funds are not shown in the Council's Accounts.

## ANNUAL GOVERNANCE STATEMENT

### Scope Of Responsibility

Hartlepool Borough Council is responsible for ensuring that:

- Its business is conducted in accordance with the law and proper standards,
- Public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging these overall responsibilities, Hartlepool Borough Council is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website at [www.Hartlepool.gov.uk](http://www.Hartlepool.gov.uk) or can be obtained from the Councils Contact Centre. This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

### The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The governance framework has been in place at the Council for the year ended 31 March 2011 and up to the date of approval of the statement of accounts.

In order to facilitate the completion of the Statement, an officer working group has been formed and a programme of work developed. To ensure that the Statement has been given sufficient corporate priority and profile, the working group included both the Chief Finance Officer and the Assistant Chief Executive. As part of the process regular updates have been given to Corporate Management Team Support Group (CMTSG), the Performance and Risk Management Group and Corporate Management Team.

### **Significant Governance Issues Update from 2009/10 Statement**

Progress has been made over the course of 2010/11 to address weakness in the system of governance identified as part of the 2009/10 process. The table below identifies action that has been taken to mitigate the areas of concern raised.

<b>Issue Raised</b>	<b>Action Undertaken</b>
Scheme Of Delegation needs to be updated to reflect new structure and working arrangements.	Update in line with new structures and agreed by Council 09.12.10.
Risks involved in the ongoing Business Transformation Process, as the Council reviews its service delivery arrangements.	Continuation of ongoing governance arrangements e.g. Management Board overview, reporting to Cabinet. Continuing communications e.g. internet, newsletter, briefing with members, TUs and managers. Project planning and review e.g. initial review or mobilisation phase.  Funding to support programme e.g. staffing and backfilling arrangements and invest to save from reserves. Monitoring of Benefit Realisation plan.  Continue vacancy management. £2.9m savings achieved against a target of £1.3m.
Issues arising from the Youth Offending Service Core Case Inspection.	Implement review of Departmental location of service within the authority as agreed by Cabinet. Implement improvement plan as agreed by Cabinet. The rescheduled inspection took place week commencing 24 January 2011. This inspection found that there have been improvements in the service during the intervening period between the inspections and the report refers to the findings as 'encouraging'. The judgment scores have improved in each of the performance criteria areas and local performance is now in line with the national average. The report makes 6 recommendations for action and an improvement plan will be submitted to HMIP for approval. Implementation will be monitored by the local Management Board and the Youth Justice Board.

The Council is still awaiting guidance regarding the adoption of an Employees Code of Conduct. This is not now considered to be a significant governance issue however, as the Council agreed as part of its 'Single Status Agreement' in 2008, a Code based upon that which was provided nationally for local government employees and adapted to reflect and clarify those issues considered particularly relevant to Hartlepool Borough Council. The Code was the result of discussions with local Trade Union representatives and Regional Officers and subject to detailed consultations with employees. The code was approved by the Standards Committee at its meeting of 24.08.10. and when guidance is received nationally any necessary action will be taken accordingly to update the agreed code.

### **The Governance Framework**

The key elements of the Council's Governance Framework are as follows:

Hartlepool Borough Council has adopted a constitution, which sets out how the Council operates, how decisions are made, the procedures that are followed to ensure that these decisions are efficient and transparent, and sets out the terms of reference for the Portfolio and Committee structure. The constitution was developed in accordance with the Local Government Act 2000 and it sets out the delegated responsibilities to Key Officers such as the Monitoring Officer and Section 151 Officer.

Effective procedures to identify, evaluate, communicate, implement, comply with and monitor legislative change exist and are used. Customer and Workforce Services (CWS) policies identify suitable recruitment methods and ensure appropriate job descriptions exist for legal staff. Induction training is arranged by CWS for all staff, departments have responsibility to provide induction training specific to their departmental needs. Legal Division procedures exist for monitoring new legislation, advising relevant departments, and members where appropriate. Legal personnel participate in training events.

Portfolio and Committee terms of reference are included in the constitution. A procedure is in place to ensure that all Portfolio and Committee agendas, minutes and supporting material are available to all staff on the Council's intranet, and to the public on the Council's Internet site.

The constitution contains financial and contract procedure rules, and code of conduct for Members, which have been formally approved. Financial procedure rules have been updated and agreed by Council and contract procedure rules have also been updated to take into account new procurement procedures. The constitution is available to all employees on the intranet and to the public on the Internet. A register of gifts and hospitality is maintained for Members and Officers. The Authority has a Treasury Management Strategy that was approved by Audit Committee on 3<sup>rd</sup> December 2010 and referred to Council for approval on 10<sup>th</sup> February 2011. The approved Treasury Management Strategy includes the Investment and Borrowing strategies in compliance with revised CIPFA Prudential Code, CIPFA Treasury Management Code of Practice and draft DCLG guidance. The Audit Committee is responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies before making any necessary recommendations to Council. The Chief Finance Officer reports to the Audit Committee how the Authorities financial arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

The full cabinet and a range of Member committees regularly meet to review specific policy areas, to consider plans, reports and progress of the Authority.

CWS has drawn up policies to ensure suitably qualified employees are employed in key areas, and supporting terms and conditions of employment for all employees cover all aspects of good employment. Induction courses for key new officers and all new members incorporate suitable training on corporate governance issues according to responsibilities and there is a general staff awareness programme in place.

A Health and Safety Policy has been approved and published and a Communication Strategy implemented to ensure general awareness.

The Authority and the Hartlepool Partnership have adopted a new Community Strategy (2008). The development of the Community Strategy by the Local Strategic Partnership followed an extensive consultation process. Public priorities were established and these are a key element of the budget setting process. The 2008-2011 Local Area Agreement (LAA) was the action plan for achieving the Community Strategy aims. The LAA ended in March 2011 and it has been confirmed that there will be no requirement from central government to prepare a new LAA. The removal of this requirement has provided an immediate opportunity to review the outcome framework and develop a more targeted and slimmed down version of what is currently in place.

With this in mind a review of the outcome framework has been undertaken and the proposed new outcome framework, to be implemented from April 2011 has been agreed. The Authority has adopted the revised outcomes as its own corporate objectives. These have been integrated into the council's corporate plan, department plans and performance management arrangements to enhance management and political accountability. Reviews to consider and make recommendations for how the Council and Hartlepool Partnership service planning arrangements will operate after 2011/12 are underway. These will take account of Coalition Government policy and the level of resources available to the Council in future years.

CMT has defined what it considers to be its significant partnerships and an assurance framework has been developed to ensure that adequate governance arrangements are in place that are proportional to the responsibilities and risks of each partnership. The Authority has an ongoing programme of monitoring and reviewing arrangements in place in respect of the operation of its key partnerships. A framework of reporting by exception to Corporate Management Team operates and Internal Audit provides annual audit coverage of partnership arrangements. The Audit Committee has highlighted partnerships as a key area of interest and the Authority's control framework will be developed further and the committee regularly updated on progress.

As the environment in which the Council operates evolves, Corporate Governance and Partnerships arrangements and internal controls will need to change to meet future requirements. The Localism Bill starts to set out the Coalition Government's view of the future shape and direction for local government. The range of issues addressed is wide and they range from the strategic, for example the "general power of competence" to the very technical, for example changes to local government finance regulations. In parallel to enacting the Localism Bill the Coalition Government is developing its strategy and policies in relation to local government and the public sector generally. The developments include:

- The Big Society approach;  
The White Paper on Public Service Reform expected to be published shortly (the White Paper will draw on the Green Paper Modernising Commissioning: Increasing the role of charities, social enterprises, mutuals and cooperatives in public service delivery published in December 2010);
- The review of local Government finance scheduled for later this year;
- The Health and Social Care Bill, in particular the transfer of public health function to local government and new performance frameworks for adult social care and public health;
- The Academies Bill;
- The Welfare Reform Bill.

The development of controls around corporate governance arrangements is a transitional, ongoing process that will build upon existing procedures.

To ensure that there is ongoing visibility of these changes at a members level a report has been prepared outlining the current scope of the proposed changes and potential implications and has been considered by Cabinet at the meeting on 21<sup>st</sup> March 2011. In addition and to ensure that there is clarity on respect of the potential impact of other coalition changes a report has been prepared for the portfolio holder for performance in respect of the implications of changes to date on the arrangements and requirements in respect of managing performance and the expectations placed on local authorities. This report was considered by the portfolio holder on 23<sup>rd</sup> March 2011.

All departments produce departmental and service plans using a corporate framework to ensure that they reflect the corporate objectives. Departments also complete extensive consultation with service users, forums, partners and the Viewpoint panel. Consultation with communities has been strengthened as part of diversity and equalities work. The feedback from these exercises is used to link service and departmental objectives to both the planning process for service delivery and to the corporate objectives. In order to further embed the process of risk management, control identification and the production of the AGS into the culture and management processes at the council, risks to meeting departmental objectives and the controls to mitigate those risks are now recorded as part of the corporate service planning process at a departmental level.

This has brought together service planning, risk management and control identification which has enabled a much more focussed and joined up approach to the use of management information and the production of the AGS. Progress against the Corporate Plan and departmental plans is reported to CMT, Cabinet and the Portfolio Holders on a quarterly basis.

A corporate performance management framework approved by CMT and the Cabinet is operating across the Council. The framework sets out the process and timetable for reporting on performance. A Quality assurance / PI collection framework is in place with Internal Audit conducting an annual review of PIs assessed as high risk. The Council's Performance Management system (Covalent) includes information relating to departmental and officer responsibility for the collation of data, target setting and addressing performance issues. The Council's Performance and Risk Management system includes plans, risks and performance indicators enabling clearer links between corporate and service planning objectives, actions, risks and PI measures.

Key performance indicators are identified in the corporate and departmental plans. Regular reports are presented to members on the delivery of performance targets and these include national and local comparisons.

Key policies such as the Corporate Complaints Procedure, Proceeds of Crime (Money Laundering), Whistle Blowing Policy and Counter Fraud and Corruption Policy have been developed and approved for use across the whole Authority. The policies are available to employees via the intranet. Reports are made to portfolio holders every six months summarising, for example, the complaints dealt with and the outcome. The Authority is a member of the IPF Better Governance Forum, the National Anti Fraud Network and also takes part in regular National Fraud Initiative reviews and the North East Fraud Forum.

The Council agreed a Risk Management Strategy in December 2004 and this has been improved on an annual basis. The Strategy is available to all staff via the intranet. Key staff have undergone appropriate training and departmental risk champions lead on communicating the strategy to all relevant staff in their departments.

A revised Risk Management Strategy was considered and approved by Cabinet on 22nd February 2010 and a risk briefing was considered as part of the meeting agenda. This review takes account of the changes to management structures at the time and was implemented as part of the Business Transformation programme and ensures the maintenance of appropriate control arrangements. During 2010/11 the Council has been developing a new Risk Management Framework. The first draft is currently going through the approval process and should be completed by April 2011. A report to the portfolio holder on 23<sup>rd</sup> March 2011 identified a revised approach to risk management that has been considered and agreed by CMT SG and the Performance and Risk Management Group.

There is corporate support at senior management level for development of Risk Management with risk assessment procedures published and training given to officers. Following on from previous training given to officers a series of sessions in March/April 2008 briefed officers on using the Council's Performance and Risk Management system. Regular risk introduction/refresher sessions are offered as part of the Council's Learning Management and Development Programme. Training has also been given to senior officers in October 2010 by GBI our insurance company which helped embed risk further and develop the new Risk Management Framework.

The Performance Portfolio Holder is Hartlepool Borough Council's risk 'champion'. Each department also has a risk co-ordinator. Risks and control measures relating to corporate and departmental plans including risk heat maps are included within the quarterly departmental reports to help ensure that risk and performance reporting are linked. Both corporate and departmental plans are considered as part of the preparation of the AGS.

The Council's Performance and Risk Management system (Covalent) holds the departmental and strategic risk registers. Risk registers are also maintained for significant projects, such as Business Transformation and Tall Ships. Officers that manage risks are notified risks need to be reviewed and progress is monitored on a quarterly basis by the Performance and Risk Management Group, who then report to CMT and Cabinet. Departments may use a central funding pot for risk management to assist in the financing of risk mitigation.

The Council has long-standing, nationally and regionally recognised emergency planning arrangements through the Cleveland Emergency Planning Unit (EPU). The Council's Emergency Management Response Team (EMRT) meets monthly and exercises at least every 6 months.

Departmental business continuity plans have been developed and specific property and flu pandemic plans are in place. ICT resilience is assisted through remote access to Email and calendars and UPS system. Arrangements were further strengthened in Autumn 2009 when a Disaster Recovery Solution was implemented with Northgate and Housing Hartlepool to facilitate the speedy recovery of key systems in particular those relating to adult and children's care such as Carefirst and ICS.

Flu pandemic planning has identified critical services particularly in respect of vulnerable people, with alternative service provision arrangements identified as part of that process. Considerable work was undertaken in preparing for potential flu pandemic and this work was prioritised in 2009. CMT approved the Influenza Pandemic Plan.

The Business Continuity Group meets on a quarterly basis. A revised strategy was reported to CMT on the 23<sup>rd</sup> October 2006 and has been updated in March 2010. Each department has a lead officer responsible for business continuity. All senior managers have been briefed about business continuity. Following completion and circulation of the Business Continuity Plan in May 2008 a series of table top testing exercises were carried out with each department between July 2008 and January 2009. Arrangements have continued to develop. These have included a self assessment exercise to provide a gap analysis between the Council's Plan and BS 25999, and a gap analysis on the Cabinet Office Expectations paper which both cover Business Continuity and may be incorporated as a required standard into future legislation. CMT were kept informed of progress on this and other BCP work.

The Council has undertaken an external assessment and has been accredited with the Equality Mark certificate for the successful validation of the Level 3 of the Equality Standard for Local Government. This expires on 31 December 2011. A decision has been taken, for the time being, not to seek an assessment under new Equality Framework for Local Government developed by I&DeA. All departments complete an annual review of Equality Impact Assessments and ensure that adverse impacts are addressed and further steps to improve accessibility to services incorporated in their plans. Steps are being taken to implement the Equality Act 2010.

A number of budget decisions for 2011/12 affected arrangements for managing equality and diversity issues across the authority. New arrangements are being put in place for 2011/12 to take account of the changes. These will seek to maintain appropriate consultation arrangements with communities. The Council's progress on diversity is reported half yearly and annually to the Performance Portfolio Holder. Plans are in place to update and seek Cabinet approval of the Corporate Equality and Diversity Scheme; the present version of which runs from 2008 to 2011.

Internal Audit reports on a regular basis to the Audit Committee on the effectiveness of the organisation's system of internal control. Recommendations for improvement are also made and reported on. Internal Audits performance is measured against standards agreed by management and Members. Internal Audit reporting arrangements have been formalised and strengthened as part of the review of financial procedure rules.

Other review bodies external to the Authority also make regular reports on efficiency, effectiveness and compliance with regulations. Ofsted has rated the Council's children's services as performing well. Most childcare and schools are rated good or outstanding and none are inadequate. The Care Quality Commission has rated the Council's adult social care as excellent. The Audit Commission rated the Authority as Performing Well for Managing Performance and Use of Resources. The Council achieved full corporate Investors in People status in August 2008 and Hartlepool Connect has achieved the Customer Service Excellence standard.

### **Review of Effectiveness**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance

The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control includes:

Corporate Management Team agreed process for the review of the internal control environment. The risk inherent in meeting departmental objectives and the controls to mitigate those risks are now recorded as part of the corporate service planning process at a departmental level. This has brought together risk management, control identification and the process for compiling the evidence needed to produce the AGS. This enables managers to provide documented evidence regarding the controls within their service units as part of the service planning process. The controls in place are designed to negate the identified and recorded risks of not achieving service, departmental or corporate objectives. In order to ensure adequate controls are in place the procedures, processes and management arrangements in place to mitigate identified risks and the officers responsible for them are also documented. Gaps in controls can be addressed as part of the regular reviews of departmental risks and control measures.

Chief Finance Officer – The CFO carries out a review of the effectiveness of the system of internal audit and reports the findings to the Audit Committee. The CFO reports to the Audit Committee how the Authorities financial arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).



Internal Audit – the Council has the responsibility for maintaining and reviewing the system of internal control and reviewing annually Internal Audit. In practice, the Council, and its External Auditors, takes assurance from the work of Internal Audit. In fulfilling this responsibility:

- Internal Audit operates in accordance with CIPFA’s Code of Practice for Internal Audit in Local Government in the United Kingdom 2006.
- Internal Audit reports to the Section 151 Officer and Audit Committee.

The Head of Audit and Governance provides an independent opinion on the adequacy and effectiveness of the system of internal control, quarterly update reports and an annual internal audit performance report to the audit committee.

- Internal audit plans are formulated from an approved risk assessment package.

External Audit – in their annual audit letter, comment on their overall assessment of the Council. It draws on the findings and conclusions from the audit of the Council and from the Organisational Assessment and inspections that have been undertaken.

- Other review and assurance mechanisms: for example, Department of Education, Care Quality Commission, Ofsted, Audit Commission, HMI Probation, Investors in People and Service Excellence.

HBC business continuity group meets quarterly and co-ordinates the Councils business continuity strategy. The group has undertaken testing of the plan within departments and is moving to test the BCP in conjunction with other plans.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

### **Significant Governance Issues**

The following significant governance issues have been identified:

No	Issue	Action	Timescale	Responsible Officer
1	Ensuring effective and comprehensive procurement arrangements.	Audit and mapping of current arrangements.  Internal audit review. Identify options for ongoing improvement, communicate and provide training to staff.	2011/2012	CMT SG
2	Risks involved in managing ongoing budget reductions.	Revised Business Transformation Programme encompassing key required programme elements at a corporate and department level. Members seminars and staff communication. Budget monitoring and defunding budgets at decision point. Project planning and management reporting to Cabinet, CMT and CMT SG.	2011/2014	CMT
3	Electoral reform and reduction in the number of councillors.	Review Constitution through Constitution Working Group and Constitution Committee. Renew scheme of allowances through Constitution Working Group and Constitution Committee.	2011/2012	Assistant Chief Executive, Chief Solicitor.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

**Signed:**

.....  
Mayor & Chief Executive on behalf of Hartlepool Borough Council.

## **COUNCILLORS' ALLOWANCES & EXPENSES – ADDITIONAL DISCLOSURE**

Note 7 of the Core Financial Statements details the total value of Basic Allowances and Special Responsibility Allowances paid in 2010/2011 and the comparative figure for 2009/2010. The Council has decided to provide this additional note to provide a detailed breakdown of the Basic Allowance and Special Responsibility Allowances (SRA's) paid to individual Councillors for 2010/2011, together with other expenses and costs allocated to individual Councillors.

This detailed disclosure exceeds the minimum legal requirements specified by the Government in "Statutory Instrument 2003 Number 1021 – The Local Authorities (Councillors Allowances) (England) Regulations 2003" which requires local authorities to publish details of the amounts paid to individual Councillors for each financial year for the following categories:

- Basic Allowance and Special Responsibility Allowances;
- Dependent Carers Allowance;
- Travelling and Subsistence Allowance; and
- Co-optees Allowances

The Council paid no Dependent Carers Allowances or Co-optees Allowances in 2010/2011 or 2009/2010.

The detailed arrangements for paying the Basic allowance, SRA's and other expenses are defined by specific rules in the Council's constitution. The key components of these rules are described below:

### **Basic and Special Responsibility Allowances**

The value of the Basic and Special Responsibility Allowances (SRA's) paid by the Council are based on recommendations made by the Independent Remuneration Panel.

### **General and General Subsistence**

This covers expenses claimed by Councillors for travel and subsistence with a 35 mile radius of Hartlepool in respect of approved duties as a Councillor.

### **Conference Travel and Conference Fees**

The Council has an approved list of conferences which specific Councillors are authorised to attend. The conferences and travel arrangements are booked by officers of the Council on behalf of the Councillor(s) attending the conference. The costs of the conference fee and travel arrangements are then recorded against the individual Councillor who attended the event.

### **Conference Subsistence**

This covers the cost of overnight hotel accommodation and expenses claimed by Councillors for 'out of pocket expenses' whilst staying away from Hartlepool where meals are not provided for in the overall conference fees. The allowances claimable are based on approved national subsistence rates.

### **Telephone Expenses**

Councillors can be reimbursed for the cost of line and telephone rental. Councillors are also eligible to claim for installing a telephone line if a line is not already connected. Councillors cannot claim for the cost of telephone calls.

### **Chair/Vice Chair of Council Allowance**

These specific allowances are paid to the Chair and Vice Chair of the Council to recognise the general costs associated with these positions from representing the Council in a public capacity within the town and region.

### **Taxation, National Insurance and Pensionable Status of Allowances**

Individual Councillors pay income tax and national insurance on all allowances payable to them. These allowances are not pensionable. When a Councillor loses office all allowances stop with immediate effect and no payments are made for the loss of office.

## **GLOSSARY OF TERMS**

### **ACCOUNTING POLICIES**

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

- Recognising;
- selecting measurement bases for; and
- presenting

assets, liabilities, gains, losses and changes to reserves.

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the Income and Expenditure Account or Balance Sheet it is to be presented.

### **ACTUARIAL GAINS AND LOSSES**

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses); or
- the actuarial assumptions have changed.

### **CAPITAL EXPENDITURE**

Expenditure on the acquisition of a fixed asset or expenditure that adds to and not merely maintains the value of an existing fixed asset.

### **CLASS OF TANGIBLE FIXED ASSETS**

The classes of tangible fixed assets required to be included in the accounting statements are:

#### Operational assets

- Council dwellings
- Other land and buildings
- Vehicles, plant, furniture and equipment
- Infrastructure assets
- Community Assets

#### Non-operational assets

- Investment properties
- Assets under construction
- Surplus assets, held for disposal

Further analysis of any of these items should be given if it is necessary to ensure fair presentation.

### **COMMUNITY ASSETS**

Assets that the local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

## **CONSISTENCY**

The principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.

## **CONSTRUCTIVE OBLIGATION**

An obligation that derives from an Authority's actions where:

- a) by an established pattern of past practice, published policies or a sufficiently specific current statement, the Authority has indicated to other parties that it will accept certain responsibilities; and
- b) as a result, the Authority has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

## **CONTINGENT ASSET**

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the local authority's control.

## **CONTINGENT LIABILITY**

A contingent liability is either:

- a) a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control or;
- b) a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

## **CORPORATE AND DEMOCRATIC CORE**

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

## **CURRENT SERVICE COST (PENSIONS)**

The increase in the present value of a defined benefit scheme's liabilities expected to rise from employee service in the current period.

## **CURTAILMENT**

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

- a) termination of employee's services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business; and

b) termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify for only reduced benefits.

## **DEFINED BENEFIT SCHEME**

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

## **DEFINED CONTRIBUTION SCHEME**

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

## **DEPRECIATION**

The measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period.

Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

## **DISCRETIONARY BENEFITS**

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the Authority's discretionary powers, such as The Local Government (Discretionary Payments) Regulations 1996.

## **ESTIMATION TECHNIQUES**

The methods adopted by an entity to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains losses and changes to reserves.

Estimation techniques implemented the measurement aspects of accounting policies. An accounting policy will specify the basis on which an item is to be measured; where there is uncertainty over the monetary amount corresponding to that basis, the amount will be arrived at by using an estimation technique. Estimation techniques include, for example:

a) Methods of depreciation, such as straight-line and reducing balance, applied in the context of a particular measurement basis, used to estimate the proportion of the economic benefits of a tangible fixed asset consumed in a period

b) Difference methods used to estimate the proportion of debts that will not be recovered, particularly where such methods consider a population as a whole rather than individual balances.

## **EVENTS AFTER THE BALANCE SHEET DATE**

Events after the Balance Sheet date are events, favourable and unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

## **EXCEPTIONAL ITEMS**

Material items that derive from events or transactions that fall within the ordinary activities of the Authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

## **EXPECTED RATE OF RETURN ON PENSION**

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

## **EXTRAORDINARY ITEMS**

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Authority and which are not expected to recur. They do not include exceptional items nor do they include prior period items merely because they relate to a prior period.

## **FAIR VALUE**

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

## **FINANCE LEASE**

A finance lease is one that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. It should be presumed that such a transfer of risks and rewards occurs if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all (normally 90% or more) of the fair value of the leased asset. The present value should be calculated by using the interest rate implicit on the lease. However, where the present value of the minimum lease payments does not amount to 90% or more of the fair value of the leased asset, it should not be automatically assumed that the lease is not a finance lease. FRS 5 requires that the substance of the transaction be reflected and therefore the lease may still need to be classified as a finance lease.

Notwithstanding the fact that the lease meets the definition above, the presumption that an asset should be classified as a finance lease may in exceptional circumstances be rebutted if it can be clearly demonstrated that the lease in question does not transfer substantially all the risks and rewards of ownership (other than legal title) to the lessee.

## **FINANCIAL INSTRUMENT**

A legally enforceable agreement between two or more parties, expressing a contractual right or a right to the payment of money. Typical examples include investments, loans, trade creditors and trade debtors

## **GOING CONCERN**

The concept that the Authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and Balance Sheet assume no intention to curtail significantly the scale of operations.

## **GOVERNMENT GRANTS**

Assistance by Government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an Authority in return for past or future compliance with certain conditions relating to the activities of the Authority.

## **IMPAIRMENT**

A reduction in the value of a fixed asset below its carrying amount on the Balance Sheet.

## **INFRASTRUCTURE ASSETS**

Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

## **INTEREST COST (PENSIONS)**

For a defined benefit scheme, the expected increase during the period is the present value of the scheme liabilities because the benefits are one period closer to settlement.

## **INVESTMENT PROPERTIES**

Interest in land and/or buildings:

- a) in respect of which construction work and development have been completed; and
- b) which is held for its investment potential, any rental income being negotiated at arm's length.

## **INVESTMENTS (PENSIONS FUND)**

The investments of the Pensions Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosures relating to retirement benefits, the attributable share of Pension Scheme assets associated with their underlying obligations.

## **LIQUID RESOURCES**

Current asset investments that are readily disposable by the Authority without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount, or traded in an active market.

## **LONG TERM CONTRACTS**

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods. Some contracts with a shorter duration than one year should be accounted for as long term contracts if they are sufficiently material to the activity of the period.

## **NET BOOK VALUE**

The amount at which fixed assets are included in the Balance Sheet, that is their historical cost of current value less the cumulative amounts provided for depreciation.

## **NET CURRENT REPLACEMENT COST**

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, that is the cost of its replacement or of the nearest equivalent asset adjusted to reflect the current condition of the existing asset.

## **NET DEBT**

The Authority's borrowings less cash and liquid resources. Where cash and liquid resources exceed borrowings, reference should be to net funds rather than net debt.

## **NET REALISABLE VALUE**

The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

## **NON-OPERATIONAL ASSETS**

Fixed assets held by a local authority but not used or consumed in the delivery of services or for the service or strategic objectives of the Authority. Examples of non-operational assets include investment properties and assets that are surplus to requirements, pending their sale. It should be noted that the incidence of rental income does not necessarily mean that the asset is an investment property; it would be deemed an investment property only if the asset is held solely for investment purposes and does not support the service or strategic objectives of the Authority and the rental income is negotiated at arm's length.

## **OPERATING LEASES**

A lease other than a finance lease.

## **OPERATIONAL ASSETS**

Fixed assets held and occupied, used or consumed by the Local Authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility or for the service or strategic objectives of the Authority.

## **PAST SERVICE COST**

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

## **PRIOR PERIOD ADJUSTMENTS**

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

## **PROJECTED UNIT METHOD**

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- a) The benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active Councillors but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases; and
- b) the accrued benefits for Councillors in service of the valuation date.

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not.



## **PROPERTY, PLANT & EQUIPMENT**

This covers all assets with physical substance (tangible assets) that are for use in the production or supply of goods and services, for rental to others, or for administrative purpose, and expected to be used during more than one period.

## **RELATED PARTIES**

Two or more parties are related parties when at any time during the financial period:

- one party has direct or indirect control of the other party; or
- the parties are subject to common control from the same source; or
- one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- the parties, in entering a transaction, are subject to influence from the same source to such an extent that one on the parties to the transaction has subordinated its own separate interests.

Examples of related parties of an Authority include:

- Central Government;
- Local Authorities and other bodies precepting or levying demands on the Council Tax;
- its subsidiary and associated companies;
- its joint ventures and joint venture partners;
- its Councillors;
- its Chief Officers; and
- its Pension Fund.

Examples of related parties of a pension fund include its:

- administering Authority and its related parties;
- scheduled bodies and their related parties; and
- Trustees and Advisors;

These lists are not intended to be comprehensive

For individuals identified as related parties, the following are also presumed to be related parties:

- Councillors of the close family, or the same household; and
- partnerships, companies, trusts or other entities in which the individual, or a member of their close family or the same household, has a controlling interest.

## **RELATED PARTY TRANSACTION**

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. Examples of related party transactions include:

- the purchase, sale, lease, rental or hire of assets between related parties;
- the provision by a pension fund to a related party of assets of loans, irrespective of any direct economic benefit to the Pension Fund;
- the provision of a guarantee to a third party in relation to a liability or obligation of a related party;
- the provision of services to a related party, including the provision of pension fund administration services;
- transactions with individuals who are related parties of an authority or a pension fund, except those applicable to other Councillors of the community or the pension fund, such as Council Tax, Rents and payment of benefits.

This list is not intended to be comprehensive.

The materiality of related party transactions should be judged not only in terms of their significance to the Authority, but also in relation to its related party.

## **REMUNERATION**

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

## **RESIDUAL VALUE**

The net realisable value of an asset at the end of its useful life. Residual values are based on prices prevailing at the date of the acquisition (or revaluation) of the asset and do not take account of expected future price changes.

## **RETIREMENT BENEFITS**

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after completion of employment. Retirement benefits do not include termination benefits payable as a result of either:

- an employer's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

## **SCHEME LIABILITIES**

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflects the benefits that the employer is committed to provide for service up to the valuation date.

## **SETTLEMENT**

An irrecoverable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

- a lump-sum cash payment to scheme Councillors in exchange for their rights to receive specified pension benefits;
- the purchase of an irrecoverable annuity contract sufficient to cover vested benefits; and
- the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

## **STOCKS**

The amount of unused or unconsumed stocks held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises.

Stocks comprises the following categories:

- goods or other assets purchased for resale;
- consumable stores;
- raw materials and components purchased for incorporation into products for sale;
- products and services in intermediate stages of completion;

- long term contract balances; and
- finished goods.

## TANGIBLE FIXED ASSETS

Tangible assets that yield benefits to the Local Authority and the services it provides for a period of more than one year.

## USEFUL LIFE

The period over which the Authority will derive benefits from the use of a fixed asset.

## FURTHER INFORMATION

Copies of this document can also be provided on audiotape or in large print, Braille and ethnic minority languages on request. We can also be contacted via TYPETALK and enquiries in any language can be dealt with in person or on the telephone using Language Line instant translation service.

اگر آپ کو اس لیفلٹ کے اردو ترجمے کی ضرورت ہے تو برائے مہربانی نیچے دئے گئے فون نمبر پر رابطہ کریں۔

আপনি এই প্রচারপত্র বাংলায় পেতে চাইলে অনুগ্রহ করে নীচের নম্বরে টেলিফোন করবেন।

如果你需要中文板的小册子, 請撥以下電話號碼。

ਜੇਕਰ ਤੁਸੀਂ ਇਸ ਪੱਤ੍ਰਿਕਾ ਦਾ ਪੰਜਾਬੀ ਵਿਚ ਤਰਜਮਾ ਚਾਹੁੰਦੇ ਹੋ ਤਾਂ ਕ੍ਰਿਪਾ ਕਰਕੇ ਹੇਠਾਂ ਦਿੱਤੇ  
ਟੈਲੀਫੋਨ ਨੰਬਰ ਤੇ ਫੋਨ ਕਰੋ।



